

BUDGET SUMMARY

Income tax and allowances

Basic rate tax cut by 1p to 24p. Lower rate 20p band widened by £700. Top rate 40 per cent threshold raised by £1,200. Basic personal allowance up £240. Married couples' allowance up £70. Tax on savings cut to 20p from 25p.

Motoring

Car tax discs up £5 to £140. Petrol and diesel up 3.5p a litre: super unleaded up 4p in May. No road tax for cars and motorcycles over 25 years old.

Tobacco

Tax on packet of 20 cigarettes up 15p; small cigars up 6p; pipe tobacco up 8p.

Alcohol

No change in beer and wine duty. Spirits down 4 per cent, equivalent to 27p on bottle of whisky. Very strong cider up 8p a pint from October.

Inheritance tax

Inheritance tax threshold raised to £200,000 from £154,000.

Elderly care

No tax on insurance policies providing long-term care benefits. Upper assets limit for those in long-term residential care from £8,000 to £16,000; lower assets threshold up from £3,000 to £10,000.

Social Security

Child care allowance in family credit up from £40 to £60 per week. Housing benefit restricted for under 25s.

Health

Spending up by over £1 billion. Up to £700 million to come from private sector investment.

Schools

Extra £878 million for schools, of which £770 million through local authorities.

Crime

5,000 extra police and 10,000 more closed-circuit TVs.

Economy

Growth forecast of 2.75 per cent this year and 3 per cent next. Inflation "on course" for 2.5 per cent target. Public borrowing cut to £29 billion in 1995-96.

Public spending

Public spending to be 42 per cent of national income this year. Government running costs cut by £860 million.

Private finance

Capital spending under Private Finance Initiative of about £2 billion a year. Contracts worth at least £14 billion expected by end of 1998-99.

NI contributions

Employers' NICs cut by 0.2 per cent to 10 per cent from April 1997.

Small business

Corporation tax down to 20 per cent. Increase in business rate bills down to 7.5 per cent for 1996-97; 5 per cent cap on small business rates increase.

Privatisation

Housing Corporation Loan Book and ownership of MoD married quarters estate to be privatised.

Betting

Pools betting tax down 5 per cent, plus extra 1 per cent on May 1.

Roads

Two fifths of major roads programme scrapped, including 22 bypasses and 77 motorway and trunk road schemes.

INTERFACE

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Beatlemania look back

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Clarke's wait-for-it Budget

Package disappoints Tories and baffles City

By Philip Webster, Political Editor, and Janet Bush, Economics Correspondent

KENNETH CLARKE cut taxes, encouraged savers and helped the elderly yesterday with a restrained Budget designed to appeal to core Conservative voters and pave the way for lower interest rates.

In a "Budget for Middle Britain", the Chancellor cut the basic rate of income tax by 1p to 24p, raised personal allowances by more than inflation and brought a million more people into the lower 20p tax band. He claimed the average family would benefit by £9 a week.

But there was disappointment both in the City and among Tory MPs, who had wanted an election-eering package. Roger Bootle, chief economist at Midland Bank, said: "This is Hamlet without the Prince of Denmark. I cannot believe that this will help Conservative electoral fortunes. They must hope to get another bite at it next year."

Most MPs and ministers were also convinced that John Major had decided to delay the general election until 1997, giving the Chancellor another opportunity to woo the voters. One senior Tory said: "This Budget will win us nothing at all, but it can lay the ground for better things next year. This is a two-Budget strategy and we had better pray that he can do more next year."

Mr Clarke rejected measures such as a windfall tax on the utilities, which would have given him more scope for cuts, special measures for married couples and help for the housing market.

Instead, he chose to reduce taxes by some £3.25 billion — less than most predictions. He was reported to have decided against bigger cuts because they would have prompted pressure for higher rather than lower interest rates. A senior Conservative source said: "Anything more than 1p off would have been seen as extravagant."

The tax cuts he did produce were balanced by reductions in public spending, with roads, housing and defence the main casualties. Council

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"The heckle said all: 'Is that it?'"
— Matthew Parris, p2

tax bills are also expected to rise by up to 10 per cent.

The spending curbs were less severe than expected and there were big increases for the electorally sensitive areas, with an extra £1.3 billion for health, £880 million for education and £100 million to put 5,000 policemen on the beat.

Mr Clarke was also clearly constrained by a slump in VAT and corporation tax receipts which led to the projection for public borrowing next year — at £22.5 billion — being almost £10 billion higher than forecast last November.

Mr Clarke put 15p on a packet of cigarettes, 3.5p on a litre of petrol and diesel and £5 on road tax. Sipping from a glass of whisky, he surprised MPs by cutting the tax on spirits by 27p a bottle and by freezing the duty on beer and wine. He also produced an unexpected bonus for savers, when he announced that he was cutting the tax on savings from 25 to 20 per cent for basic rate taxpayers.

Another popular move was the decision to raise the threshold for inheritance tax to £200,000, and his expected action to help elderly

people in nursing and residential homes was equally strongly welcomed. Those with assets of less than £10,000 will no longer have to pay anything towards their care and the capital threshold for state help is doubled to £16,000.

Tony Blair gave a cautious welcome to those proposals, but he told the Commons that if the Budget was supposed to relaunch the Conservative Party it would fail, and the sense of relief among Labour MPs that Mr Clarke had decided against a bigger giveaway was palpable.

Most Tory MPs were prepared to give Mr Clarke the benefit of the doubt, hoping that his apparent caution would mean a one point cut in interest rates before too long.

The City, however, was mystified by the Chancellor's motives. He failed to make the kind of tax cuts that would have boosted the Government's re-election chances, a hope which had buoyed markets in recent days. But he was not considered to have been cautious enough to impress those who feared he would compromise the public finances for votes.

The gain for people at the lower end of the pay scale is a mere 71p a week, rising to £10.34 for someone earning £30,000 a year. Given the political pressure on the Chancellor to deliver a real improvement in living standards, these were felt to be unspectacular figures.

Analysts dismissed yesterday's offering as "mid-term housekeeping", the "softly softly Budget", and agreed that it was designed to leave room open for a second round of tax cuts before a 1997 election. This, however, was held to be a risky strategy and David Owen, economist with Kleinwort Benson, said: "With an effective majority of six, they just might not make it."

The package was also clearly designed to ensure that interest rates can be lowered in coming weeks. But the sharp slowdown in the economy and subsiding inflation



Freedom of the road for classic cars

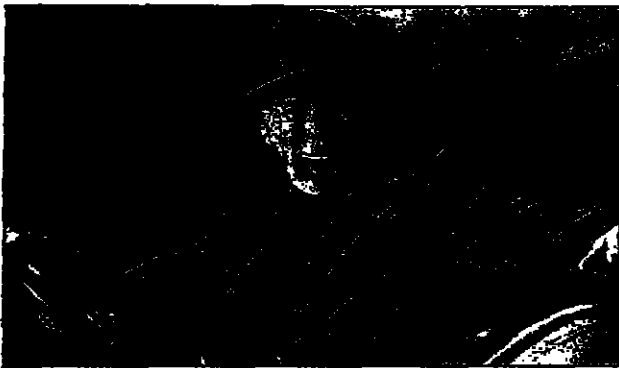
By Kevin Eason, Motoring Editor

THE CHANCELLOR'S affection for a roaring exhaust and a finely turned mudguard will save Lord Montagu of Beaulieu £42,000 in road tax on his fleet of 300 historic motor cars.

Some of the nation's richest and most enthusiastic owners of classic cars — such as Nick Mason, drummer with the Pink Floyd rock group, and Chris Rea, the rock singer and Ferrari enthusiast — will also save thousands of pounds on road tax next year. The Chancellor raised the tax for the rest of Britain's 23 million cars by £5 to £140 a year.

But the decision to exempt all cars over 25 years old — there are around 150,000 of them — from vehicle excise duty will also have gladdened the hearts of owners of Ford Capris and Volkswagens of Beaulieu's nation over.

Paul and Wendy Tuohy will save £420 a year because their battered, and beloved Volk-



Lord Montagu of Beaulieu in a 1909 Silver Ghost

wagens, in which they commute to work, will be exempt. Kenneth Clarke threw out proposals for "continuous licensing", which would have forced owners of classics to tax their cars even while they were off the road being restored or stored until they were sent on an annual outing, for events such as the London to Brighton Run.

The proposals provoked the biggest mailbags for MPs on any subject except for animal

rights, according to campaigners. Tricia Pilkington, who runs the Totnes Motor Museum in Devon, said 20,000 protest letters poured into the House of Commons.

Lord Montagu, Britain's foremost expert on vintage and veteran cars, campaigned among Ministers for exemption for all cars over 25 years old and was exultant last night.

"Mr Clarke said himself that historic cars were a

vibrant part of the country's heritage and that they should be encouraged and protected so this is quite a victory," he said.

Mr Mason has about a dozen pre-1970 cars, a potential saving of about £1,600 a year for a man who is one of the pop world's multi-millionaires. A spokesman for him, Mason said: "Anything that protects historic cars is a good thing although it won't make much difference to Nick's collection."

Wendy Tuohy will feel the difference in her household budget. She travels Kent as a community nurse in a 1956 Volkswagen Beetle with 106,000 miles on the clock. The family also has a 1969 Beetle cabriolet, for top-down motor-ing in the summer, and a 1969 VW camper van. Her husband, Paul, commutes ten miles from their Kent home in the camper with a bike in the back, on which he cycles the last 10 miles into London, where he works as a charity fund raiser.

Out goes the taxing gobbledegook

By Jon Aseworthy

IT was a master-stroke. With one offhand remark, the Chancellor accelerated a process that could save millions of pounds a year in professional fees, and free the courts for better things: the nation's tax code is to be rewritten in plain English.

Lawyers and accountants spend countless hours each year mulling over the arcane intricacies of tax law. Ernst & Young, the accountant, estimates that current tax legislation is ten times the length of War and Peace. A piece of

legislation that was difficult to understand in the first place, may be rendered unintelligible by several amendments. Arguments over interpretation go on for hours and often end up in the courts.

Now there is hope. About a year ago, the Inland Revenue set up a "lit-squad" to look at ways of simplifying the tax code. The Chancellor acknowledged the difficulties yesterday, saying: "ated. The House has a duty to set out clear legislation."

Unlike the separate initiative aimed at making tax returns more legible, the tax

code drive focuses on the sort of legal gobbledegook found, for instance, in the Income and Corporation Taxes Act (1988). Here, we learn that subsection (1) "shall not apply in relation to an authorised unit trust under the terms of which the funds of the trust cannot be invested in such a way that income can arise to the trustees which will be chargeable to tax in the hands of the trustees otherwise than..." One soon gets the idea.

The Inland Revenue was guarded yesterday, but confirmed that "the simplification project" was on track.

Downing St peace talks

John Bruton, the Irish Prime Minister, flew to London last night to announce that he and John Major had broken the deadlock on the Ulster talks.

Earlier, the two had a 50-minute telephone conversation to clear some of the obstacles between the two sides.

It was clear yesterday that the desire for a deal before President Clinton's arrival in Britain today had acted as a spur to Dublin.

Peace progress, page 2

Turner Prize win for Hirst

Damien Hirst, the artist who has picked various dead animals and put them on show, won the £20,000 Turner Prize last night.

The award was presented by the musician and artist Brian Eno at the Tate Gallery, where Hirst, 30, is showing one of his most recent pieces, four tanks containing the severed halves of a cow and calf that have been preserved in formaldehyde. Page 2

Spanish fish rights claim

The Government is facing a claim for millions in compensation from "Bag-of-convenience" Spanish fishermen after the European Court of Justice's Advocate General stated yesterday that their exclusion from British waters had been illegal. MPs attacked the move. Page 5

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Yawning gulf as Clarke fails to combat economic slump

As so often, the heckle said all. "Is that it?" shouted Dennis Skinner, as the Chancellor moved listlessly to what passed for a peroration. Kenneth Clarke, who succeeded yesterday in boring first the Opposition, then his own side and then the press, had succeeded finally in boring even himself.

Budget-makers love natty titles to dub their creations: "a Budget for Enterprise", "a Budget for Growth", a "Steady As She Goes" Budget. This, however, was an "Is That It?" Budget.

Dame Jill Knight (C,

Edghaston), in Quink-blue with buttons, who has watched the Budget game long enough to acquire some sixth sense, started yawning even before Mr Clarke began.

Up in the overflow gallery, two senior Tory backbenchers went to sleep. One of them, a corpulent chap who represents a Midlands seat, managed to stay awake for an early section, which he could understand: "the PSBR is the difference between two enormous numbers," said the Chancellor, possibly in an attempt to explain his Budget to himself. Our Midlands

Tory nodded wisely. But, as Clarke undertook to "embrace change in a flexible way", our friend's nods turned to a slumping motion.

He struggled to keep his grip on consciousness through the passage on challenge funding and the private finance initiative, but began to slip again as the Chancellor turned to projected public spending for 1996-99.

The landfill tax proved too much for him. As Mr Clarke detailed a £2 per tonne tax on inactive waste, inactivity—or the Commons central heating—overcame the somnolent



POLITICAL SKETCH

Midlander. His head fell back against the oak panelling.

Even the excise reprieve for rolling tobacco ("A Budget for Marijuana Toppers?") failed to arouse him. When Clarke announced his plans for very strong cider, our friend's head lolled heavily to the left. For the next hour he never moved again.

His colleague, a fellow-sleeper, loses his south

London constituency to boundary changes at the next election and is looking for another seat. Important interviews lie ahead so we dare not name him. But our south Londoner gave up the struggle as Clarke, stifling a yawn, said: "Let me turn to some other proposals I do not intend to make."

Just before pegging out, our friend had managed to prop

his head in a corner of the gallery, against some railings. As the Chancellor turned to savings and long-term retirement bonds for the elderly, the backbencher's eyes shut.

As Clarke outlined new incentives for employee shareholding schemes, the south Londoner's lips drew back from his teeth in a rictus grin which I once saw on a dog which had drowned in a flash flood.

He was out cold.

It is held to be disrespectful to allege that a Member of Parliament is ever asleep in the Chamber, but sleep is the

most respectful explanation possible for this MP's expression. When the Chancellor mentioned "the backbone of our modern, dynamic economy", his head came loose from the moorings of the rail, and slumped forward. This woke him.

Dazed for a few minutes, he began to absorb Mr Clarke's words on the new tax regime for savings income. Turning round, he observed his Midlands colleague, still asleep. Looking across to your sketchwriter, opposite him in

the press gallery, he gestured to me, pointing out his sleeping colleague.

"The enterprise centre of Europe! That's where we're going!" cried the Chancellor, trying to rally himself as much as the rest of us. The Tory who had just woken up continued to try to point me to his sleeping colleague.

As the Chancellor sat down, and the Conservative MPs filed out, he had the good grace to waken him. Both left one of them still uncertain where he was or what he had just sat through.

He had missed nothing.

Major and Bruton clear the way for progress on peace

By Philip Webster and Nicholas Watt

LONDON and Dublin were on the threshold of a breakthrough in the Northern Ireland peace process yesterday after a 50-minute conversation between John Major and John Bruton cleared away some of the obstacles between the two sides.

Downing Street was at pains to emphasise after the two men had spoken that some issues, notably on the decommissioning of IRA weapons, remained to be settled, though there was intense speculation in Dublin yesterday morning that a deal was about to be done.

Mr Major told the Commons: "There are important points outstanding... but some progress has been made." Another conversation was expected later in the evening.

Dublin hoped that the conversation would lead to an announcement that the path had now been cleared for an Anglo-Irish summit; London was still urging caution.

It was clear that the desire for a deal before President Clinton's arrival in Britain today had acted as a spur to the Irish Government. It was admitted that there had been intense contacts between Dublin and the American Administration late on Monday night. London also kept

Washington in touch with developments but sources denied that the White House had played any negotiating role.

After the lunchtime conversation British officials said that the two sides had reached the position they had arrived at last Friday when agreement was said to be " tantalisingly close". Over the weekend the Dublin position was reported to have hardened over the "equivalence" of IRA and British weapons. Now, according to British officials, they had reverted to the previous position where they accepted that there was a "clear distinction".

The key to the deal was an acceptance by Dublin that the Washington 3 condition—which requires the IRA to give up some arms before Sinn Féin can be admitted to talks—should not be in the remit of the international disarmament commission.

However, London in return has accepted that, in the preparatory talks phase, Sinn Féin and the other parties will be able to discuss the question of other measures that could be taken to build public confidence in Northern Ireland.

Dublin has been pressing Mr Major to show some willingness to look at alternatives to the demand for a token surrender of IRA weapons. London says that the prepara-

tory talks will also consider the Ulster Unionist proposals for an elected assembly. It will urge Sinn Féin to instil confidence by seeking a democratic mandate in that assembly.

The conversation between the two Prime Ministers came after one of the most intense periods of Anglo-Irish negotiations since the run-up to the Downing Street declaration in December 1994. Irish officials, led by Paddy Teahan, the secretary to the Taoiseach's office, held negotiations over the telephone until the early hours of yesterday morning. They resumed at 8am.

Irish officials said that senior Administration officials in Washington were kept informed overnight. It is understood that there was considerable worry in Washington that President Clinton's trip would be overshadowed by speculation about a resumption of IRA violence. However, Irish sources made clear that Washington was not dictating policy because the "real business" was being conducted between London and Dublin.

David Trimble, the leader of the Ulster Unionists, introduced a note of caution amid the intense diplomatic activity when he accused London and Dublin of trying to resurrect the twin-track initiative which Dublin rejected in September.



A visitor to the Tate Gallery has a close view of Damien Hirst's prize exhibit, *Mother and Child, Divided*

Pickled cow artist wins Turner Prize

By Dalya Alberge
ARTS CORRESPONDENT

DAMIEN HIRST, the artist who has pickled various dead animals and put them on show, won the £20,000 Turner Prize last night and failed to shock anyone. He was favourite for the prize from the moment he was shortlisted.

The award was presented by Brian Eno, the musician and artist, at the Tate Gallery in London, where Hirst, 30, is showing one of his most recent pieces, four tanks containing the severed halves of a

cow and calf preserved in formaldehyde.

Those shortlisted were: Mona Hatoum, who used medical technology to video the inside of her body through every orifice; Callum Innes, whose abstract paintings include blank white canvases; and Mark Wallinger, who made his name showing a live horse as a work of art, arguing that no artist could get a closer likeness of a horse.

Karsten Schubert, a dealer in contemporary art, said that the winner had to be Hirst: "He has fulfilled the brief of

the prize. He has done something amazing in his work. He is a very, very interesting artist, who is catching people's imagination in a big way." The Tate estimates that at least 50,000 visitors have seen the Turner Prize exhibits in the past four weeks.

Asked how he reacted to critics who dismissed Hirst's work as not requiring traditional artistry, he said: "The act of putting oil on canvas doesn't make great pictures. Fundamentally, paintings and objects are all about ideas—so there is no difference."

Matthew Flowers, another dealer, said that Hirst had produced "interesting pieces". But he noted that *Mother and Child, Divided*, the cow and calf piece, dated back to 1993. "If he's the Picasso of our age, let's see what else he can do."

According to the Tate's exhibition catalogue, *Mother and Child, Divided* is a work in which "Hirst strips the closest of bonds between living creatures to its starkest reality". The cow that found fame as Hirst's model broke its back while giving birth and was put down by a vet.

Ministers moved in minor reshuffle

John Major yesterday made ministerial changes at the Home Office and in the Lord Chancellor's Department, which both have contentious Bills to steer through Parliament.

John Taylor, a junior minister in the Lord Chancellor's Office, who was criticised for failing to keep Tory MPs informed about the Divorce and Domestic Violence Bills, changes places with Jonathan Evans, the Corporate Affairs Minister at the Trade and Industry Department.

Tom Sackville moves from Health to fill a new position at the Home Office and is replaced by John Horam, formerly a Public Service Minister. His place has been taken by the whip David Willetts.

BSE clampdown

Abattoirs must remove and destroy all the spinal column—except the tail—from cattle carcasses used in processed meats, to protect against "remote theoretical risk from mad cow disease", Douglas Hogg, the Agriculture Minister, said. The previous rules were breached in 144 out of 346 slaughterhouses.

Teenager's death

Police investigating the death of a teenage soldier found shot while on guard duty have ruled out foul play. Private Cheryl James, 18, from Llangollen, Clwyd, was discovered near the garrison in Deepcut, Surrey, on Monday. An inquest was opened and adjourned at Chertsey Coroners Court.

Video withdrawn

A video compiled from footage taken by security cameras which includes a couple making love in a lift is to be withdrawn from sale. Carlton TV threatened the makers of *Caught In The Act* with an injunction when it emerged that a sequence came from its programme *Inside Crime*.

Costly sale

The Medical Research Council has been censured by the Public Accounts Committee for costing the taxpayer almost £5 million over the sale of Mount Vernon hospital in Hampshire, north London. Three years after an initial price was approved, the council accepted a lower offer.

Ballot inquiry

The Labour Party agreed yesterday to investigate allegations of ballot rigging in the selection of a prospective parliamentary candidate for Swindon North. A High Court hearing into allegations of "serious irregularities" was postponed pending the inquiry.

Strike hits Calais

All sailings in and out of Calais were suspended for 48 hours yesterday after a French workers' strike spread to the port. Eurostar had to cancel six trains, while Stena and P&O European Ferries operated limited services between Dover and Zeebrugge.

Women priests issue proved faith, says Queen

By Ruth Gledhill
RELIGION CORRESPONDENT

THE efforts made to assuage the pain after women were ordained priests exemplified the Christian faith, the Queen told the General Synod of the Church of England yesterday.

The Queen, speaking as she inaugurated the sixth general synod, also urged Church leaders to remember that the established Church existed for others as well as for itself.

The Queen, Supreme Governor of the Church, told the synod, the church's parliament which is re-elected every five years, that the previous synod would be remembered "not simply for its historic vote on the ordination of women, but also for the painstaking care with which it strove to accommodate and hold together people of all opinions in its aftermath".

She continued: "There has been, I know, pain in this for some, but the efforts made to assuage it surely exemplify the Christian faith. Strong differences of view remain, but I am encouraged that the commitment of the Church to overcome its difficulties is as strong as ever."

She said the contentious Turnbull report, which proposes a radical reorganisation of the Church's management structure, was a "unique opportunity for you to decide how the Church can manage and organise itself, and thus face the future with confidence". The report, which

proposes a national council with the Archbishop of Canterbury as its chairman, is likely to be the most controversial issue to come before the synod since the ordination of women, and will be hotly debated today and again next year.

The Queen said that since its earliest days, the Christian Church had "wrestled with issues where opinions are as deeply held as they are divided".

She told the synod: "I know that you will also remember that the Church of England does not exist only for itself, but for others. As our national church, it has always served all people in any place, not only those who attend its services. That is the heart of the duty of an established church."

She added that the Chris-

tian tradition, "which we must preserve", was also one of respect and courtesy towards those of other faiths.

The Archbishop of Canterbury, Dr George Carey, who will travel with his wife, Eileen, hopes to meet Christian and Muslim leaders as well as those doing humanitarian work and the military. A spokeswoman said Dr Carey had contacted the Foreign Office and government officials in this country and Bosnia. "He hopes he can demonstrate his solidarity with the people of Sarajevo," she said.

The Archbishop of York, Dr David Hope, replying to the Queen, said the Queen's presence and words directed the Church out and beyond itself "at a time when we can so easily become preoccupied with our own domestic concerns".

Dr Hope, addressing his first synod as archbishop, said: "The Church in this as in every generation is called to face large, complex and important questions where divergent views are strongly and passionately held."

He added: "The fact that views are held with such fervour and debated with such passion must surely be a sign of the real commitment and priority which Christian people, whatever their views, attached to their faith and the search for truth and right belief and behaviour."

Gallipoli veterans gain memorial at last

By John Young

EIGHTY years after the event, the first memorial on British soil to the men who fought and died at Gallipoli was dedicated yesterday at St Paul's Cathedral by the Duke of Edinburgh.

The eight-month attempt to storm the Turkish defences cost nearly 214,000 casualties in fighting as ferocious as anything in the Western trenches. Although the campaign is indelibly linked with the Australians and New Zea-

landers who fought and died there, and for whom Anzac Day, April 25, is the most important anniversary in the calendar, 43,000 British officers and men were also killed, taken prisoner or posted as missing. Only 7,000 lie in named graves.

In January 1915 Russia appealed to Britain to relieve its southern flank by mounting an action against Turkey. Winston Churchill, as First Lord of the Admiralty, enthusiastically supported the idea, despite the misgivings of Lord

Fisher, the First Sea Lord, and the following month a naval expedition was despatched to bomb and capture the Gallipoli peninsula.

Without army support the task force could do little but shell the Turkish positions ashore. By the time the first soldiers arrived from Egypt, three battleships had been lost, and the Turks had been given ample time to strengthen their defences.

The Anzac forces established a bridgehead on April 25, and the British made a

successful landing at Suvla Bay some weeks later. But every attempt to storm the heights above the beaches was murderously thrown back, and the survivors were finally evacuated in the following December and January.

Trumpeters of the Princess of Wales's Royal Regiment sounded the last post and Jack Gearing, aged 101, a survivor from HMS *Thetis* read Lawrence Binyon's tribute: "At the going down of the sun and in the morning we will remember them."



Britain is one of the last great strongholds of veteran hollow trees. These support hundreds of protected and endangered species, including beetles, birds, spiders, insects, fungi, flowers, mosses, lichens, grasses, butterflies and moths. That's why we're working to preserve these ancient woodlands with our Esso Living Tree Campaign. After all, can you imagine a natural future without a natural history?

Not guilty verdict takes minutes

CPS criticised for pursuing gun man who wounded thief

By RICHARD DUCE

A JUDGE criticised the Crown Prosecution Service yesterday for bringing a case against a retired engineer who tried to aim a shotgun above the heads of two escaping thieves but peppered one of them with 11 pellets.

A jury at Teesside Crown Court took only ten minutes to decide that Barrie Richards, 59, was not guilty of assaulting Michael Hecker, whose family also agreed the case should not have been brought.

Judge Fox said: "I would invite the attention of those who, in their discretion, decided that this prosecution should be brought, to the fact that it took the jury only a few minutes to determine that the right verdict was not guilty."

The judge ordered that the cost incurred by Mr Richards in defending himself should be met from central funds after the jury accepted his claim that he had intended only to scare off the thieves after they broke into garages at the private flats where he lives in Hartlepool, Cleveland.

The court was told that Mr Richards, who has held a shotgun licence for 40 years, became aware a break-in was taking place during the early hours of July 12. He loaded his shotgun in case he faced violence and went out to investigate.

He saw two figures jump over a wall and disappear into foliage, and fired into the trees overhead to ensure they kept running. But he said he was "amazed and distressed" to be told by police next day that some of the shotgun pellets hit Hecker, 20, in his neck, wrist and face.

Hecker, of Hartlepool, was arrested by police and taken to hospital after he went to a nearby ambulance station. He admitted theft, and subsequently made claims to the Criminal Injuries Compensation Board but was turned down. He was later given an eight-month sentence for stealing a radio cassette player.

Mr Richards also denied



Richards: fired shotgun into trees overhead



Hecker: peppered with shot in face and neck

the trigger. At the end of the day my son could have been killed.

The Crown Prosecution Service said last night: "We have a duty to prosecute in cases involving complaints of injury. It is for the court to decide whether any force used was reasonable on the facts of the case."

Too many young offenders are being jailed for non-payment of fines, and their legal battles for liberty threaten to engulf the High Court, a judge said yesterday.

Magistrates were issuing defective committal warrants and failing to meet statutory obligations to give reasons why they considered there was no alternative to imprisoning many under-21s, Lord Justice Simon Brown said.

The judge, sitting with Mr Justice Scott Baker and Mr Justice Latham, went on: "Offenders generally and young offenders in particular ought not to be locked up for non-payment of fines unless no sensible alternative presents itself. Down the years, too many have been."

The court was laying down guidelines as it decided which legal route a group of young offenders jailed for failing to pay fines imposed for a variety of offences should take in trying to get their imprisonments quashed.

The 1980 Magistrates' Courts Act and 1982 Criminal Justice Act obliges magistrates to give reasons why they believe that prison sentences should be imposed on under-21s rather than supervision orders or other methods of obtaining payment of fines.

Faintly no "elaborate or sophisticated" reasons had to be given, Lord Justice Brown said, but it was equally plain that a higher standard of reasoning was necessary, and the reasons arrived at had to appear on the warrant and be articulated in open court.

The judge said yesterday's cases, involving 21 fine defaulters, represented "a fraction only" of those raising the same issues.



Susan Edwards yesterday after her winning claim against London Underground

Mother wins sex case over change in job hours

By FRANCES GIBB AND JONATHAN PRYNN

A SINGLE mother who was forced to leave her train driver's job after new shift patterns prevented her caring for her son has won a sex discrimination claim against London Underground.

Susan Edwards, 37, who took her claim to an industrial tribunal with the backing of the Equal Opportunities Commission, was one of only 21 women drivers on the Underground out of 2,044.

Ms Edwards joined London Underground in 1983 and became a train driver in 1987, the year she gave birth to a son of whom she had sole care. She was able to carry on working for five years on day shifts.

But in 1992 — when she was being paid £17,000 a year — the company brought in a system that meant she would have to work early and late shifts and so would be unable to care for her son, then aged five. She said the management told her: "You can be a train driver or a mum."

Ms Edwards took voluntary severance despite wanting to continue working. She then sued London Underground, claiming loss of earnings and injury to her feelings.

She said yesterday: "I am delighted at the outcome but my victory shouldn't be lost in history. It should instigate change in working conditions for employees with family responsibilities."

What had happened was wrong, she added. "I was told by London Underground management that I could be a train driver or a mum and the kid was my problem. Three years later they now realise that this is not an appropriate attitude to take towards their employees."

London Underground argued at the tribunal in London that it had introduced the shift system to reduce costs and increase efficiency, but the tribunal found that the company could easily have accommodated Ms Edwards. The company said it was considering an appeal.

The level of compensation will be set at a later date.

Teacher quits after claims of affair with pupil

By DAVID CHARTER EDUCATION CORRESPONDENT

A MALE teacher at a leading girls' grammar school has resigned over his alleged affair with a teenage pupil. The teacher quit after being suspended from his post at King Edward VI School for Girls in Handsworth, Birmingham, earlier this month.

Elspeth Insch, head teacher of the grant-maintained school, said the man had been under investigation after accusations that he had a sexual relationship with a pupil aged over 16. She said his resignation marked the end of the school's inquiries and the pupil had been allowed to stay on.

King Edward VI is a selective school and has come joint top of the national examination league tables every year. This year all 78 GCSE candidates achieved at least five good passes.

Miss Insch said: "This is a sad thing for the school. We try to uphold the highest moral standards where pupils can be kept safe in an appropriate manner. The girl was over 16 years of age so it was an ethical and moral issue."

"This matter has been dealt with according to the school's disciplinary regulations, which are in accordance with those of the Department for Education and Employment."

Miss Insch confirmed that the girl's parents were aware of the alleged affair, and staff and the school's 800 pupils had been briefed. "The girls have been told a bare minimum of factual information in a very non-alarmist manner. I told the staff a bare minimum of what they needed to know."

The school is highly praised by education experts for its harmonious atmosphere. The Good Schools Guide says discipline problems are practically unknown at the school, where about a quarter of pupils come from non-European backgrounds. It has "great pride in its achievements and, above all, in its racial and religious harmony", the guide says. Past pupils include the Tory MP Dame Jill Knight.

Family plea to missing girls on demolition estate

By LIN JENKINS

THE mothers of two girls, missing from home since Sunday lunchtime made a tearful public appeal yesterday for them to return home. The friends are thought to have been sleeping rough near their Leicester homes and may be too frightened to go home in case they are in trouble for staying away.

Police said fears for their safety were increasing. "Girls of that age are very vulnerable. We really do want to find them quickly," Inspector Nigel Hughes said.

Natasha Jones, 10, and Louise Dixon, 9, disappeared after leaving Natasha's home on the Saffron Lane estate in south Leicester at 2pm on Sunday. They failed to arrive as planned at Louise's home across a busy main road. Their families raised the alarm at 9pm.

Nearly 400 houses on the 2,300-home estate are in the process of being vacated before demolition to be replaced by new homes. Whole streets near the homes of the girls are empty, providing ample hiding places for determined children. Police checked properties for signs of disturbance yesterday.

Natasha's mother Ellie broke down in tears at a police press conference. "This is totally out of character for



Natasha Jones, left, and Louise Dixon, who may have been sleeping rough since they went missing



them both," she said. "My message to Natasha is just come home or let us know that she is safe. The last few days have been very difficult for us."

Gillian Dixon, Louise's mother, added: "Just ring to let us know where you are." She said her daughter suffered from asthma and did not have medication with her. Police have confirmed two sightings by neighbours of the girls near their homes. The last was at 3.50pm on Monday. They were together and unaccompanied.

Inspector Hughes said the sightings suggested that the two were not being prevented from going home by a third party. "We have got officers on the estate and the girls may have seen them and been

worried about the consequences of what they have done. We just want to convince them that they are not in any trouble."

Friends among pupils at Newry Primary School were questioned by police yesterday to see if they could provide clues. Mrs Dixon and her husband Roy said their other children, Louise's twin Kristine and Samantha, 13, Adam, 19, Andrew, 15, and Linaker, 9, had helped in the search. So too had Natasha's brothers David, 16, and Kristoffer, 11.

Ted Cassidy, the local city councillor, said that while the estate suffered some vandalism and petty crime it had a strong sense of community. "The people pull together to tackle their problems."

Detectives suspended in minder inquiry

By STEWART TENDLER CRIME CORRESPONDENT

FOUR Scotland Yard detectives have been suspended over allegations that they were moonlighting as bodyguards for a television executive. A fifth officer is also expected to be suspended as senior Yard officers investigate allegations of corruption involving a small group of London officers.

The moonlighting investigation was launched after a police officer went to his superiors with his suspicions. The allegations suggest the men were working for Reg Grundy, the Australian television producer who makes Neighbours, while they were supposed to be on duty, and used police vehicles.

Mr Grundy, who has a home in Belgravia, is understood to have been unaware that the bodyguards were serving policemen.

Two detective sergeants and two detective constables were sent home in the past week after the Complaints Investigation Bureau carried out surveillance operations. Two of the officers are attached to the South East Regional Crime Squad. The other two work on divisional CID in central London.

Wife 'kicked and scratched' Tory MP

By MICHAEL HORSNELL

THE estranged wife of a Tory MP burst into their constituency home and taunted a senior civil servant he had invited there for the weekend with the words "So you are Queenie, Queenie!", a libel jury was told yesterday.

The Italian-born Silvana Ashby kicked and scratched her husband David as "all hell broke loose". She later pretended that it was she who was under attack.

Mr and Mrs Ashby had separated two years before the incident on June 30 this year. She allegedly screamed for help from a neighbour and

called the police to the house she shared with her husband, whom she accuses of being homosexual. The allegations were made to a jury at the High Court yesterday by the 55-year-old MP for Leicestershire North West.

Mr Ashby said that Edward O'Byrne, the civil servant, had been introduced to him in 1993 by Ciaran Kilduff, an Irish doctor with whom the MP is also alleged by his wife to have had a homosexual relationship. After Mr O'Byrne had suffered a stroke, Mr Ashby, who denies allegations of homosexuality, invited him to the house for the weekend. The MP said he

could "see the fire" in Mrs Ashby's face when she arrived. She threw knives, plates and insults at him. The next morning, she threatened to kick him in the groin.

Mr Ashby was giving evidence for the second day in his libel action against The Sunday Times and Andrew Neil, its former Editor, over an article in January 1994 alleging that he had spent a holiday in a hotel in Goa with a male friend.

The newspaper accepts the report was untrue but maintains the MP is a homosexual, that he had an affair with a man and is lying in denying it. The trial continues.



Silvana Ashby: said to have taunted friend

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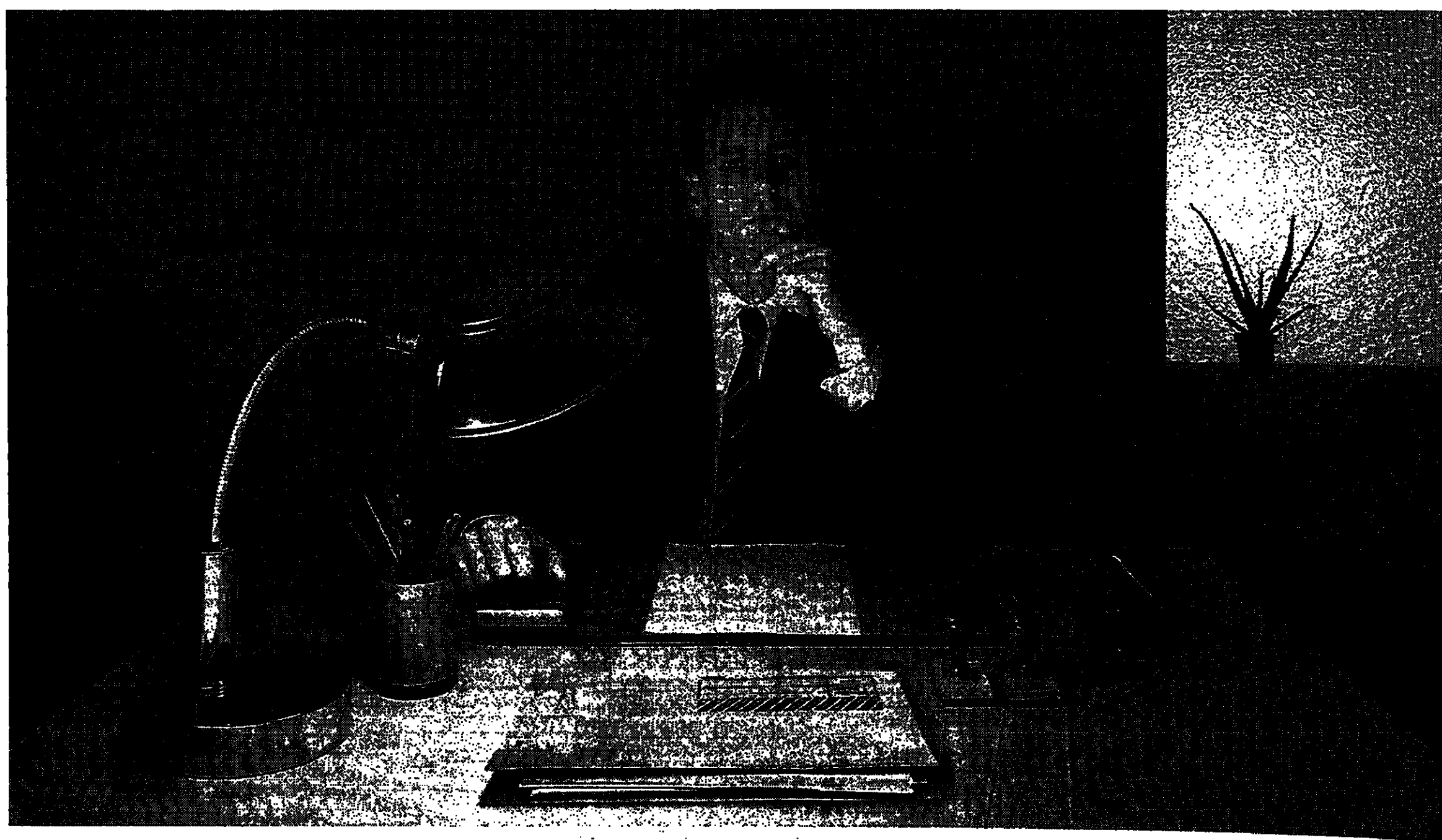
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Taxpayers face compensation costs as Luxembourg opinion says exclusion was wrong

£30m bill for Britain as EU court backs Spanish fishermen

By MICHAEL HORNSBY, AGRICULTURE CORRESPONDENT

THE Government is facing a claim for millions in compensation from "flag-of-convenience" Spanish fishermen after the European Court of Justice's Advocate General stated yesterday that their exclusion from British waters had been illegal.

In an interim "opinion" the Luxembourg court's Advocate General upheld the trawlermen's entitlement to pursue claims for damages in the High Court, which would assess how much they should receive.

The Spanish claims could amount to more than £30 mil-

lion, to be met by British taxpayers. At least 90 Spanish vessels are thought likely to put in claims ranging from £250,000 to £600,000 per boat.

Although the final verdict of the European Court will not be delivered for several months, it is rare for the full court not to follow the preliminary and non-binding "opinion" of the Advocate General.

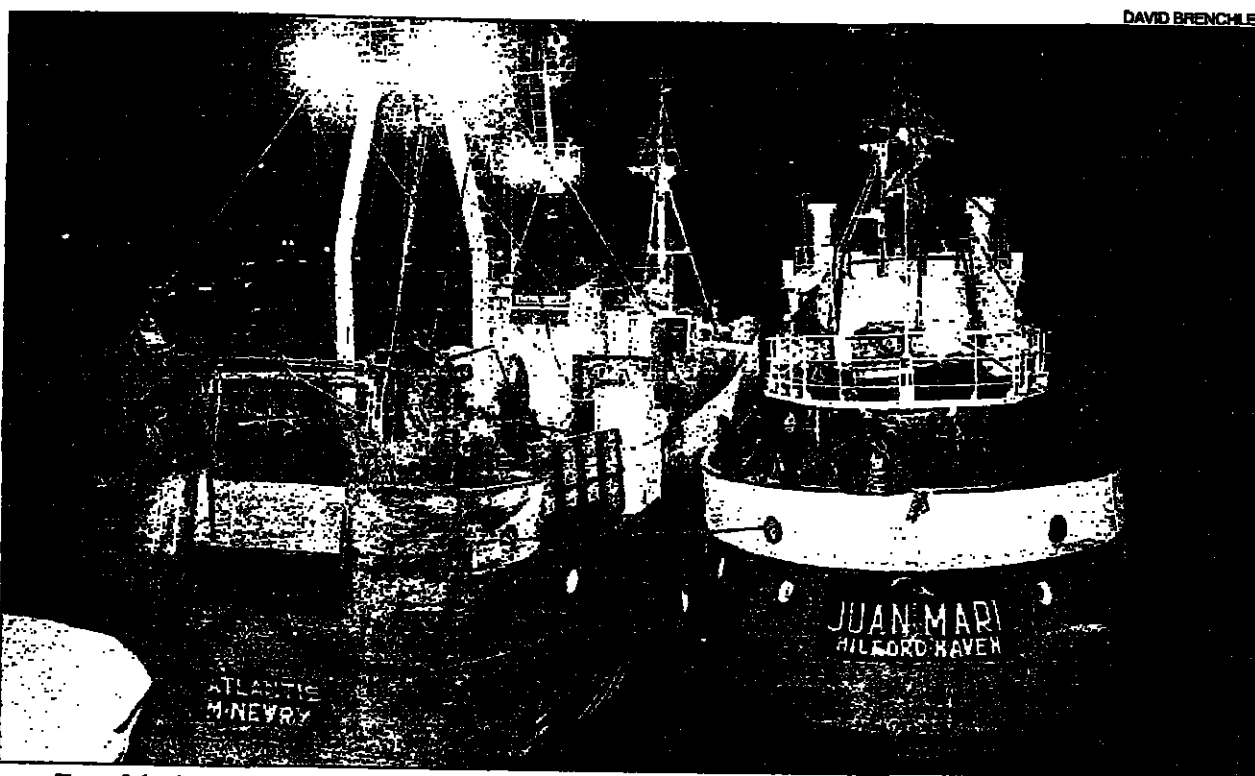
In 1988 the Merchant Shipping Act was passed, requiring all vessels registered in Britain to be British-managed and at least 75 per cent British-owned. The aim was to stop Spanish boats from registering in Britain through front companies so they could take a share of the fish catch allocated to the British fleet. For 15 months, about 150 Spanish-owned but nominally British boats were forced to remain tied up in port, mostly in

Milford Haven and in Devon and Cornwall.

In 1991 the European Court ruled that the nationality-provision of the 1988 Act was illegal and discriminatory under European Union rules which allow any company to set itself up anywhere in Europe. The Spanish boats' claims for damages relate to the 15-month period when they were not allowed to fish.

The Advocate General's opinion states: "The applicants' claims for damages are founded in respect of the damage which they sustained from the time when the Merchant Shipping Act came into force until the time when they were able to resume fishing."

There are now about 130 so-called "quota-hopping" vessels flying British flags — 100 of them Spanish-owned, most of the rest Dutch. The Spanish



Two of the Spanish-crewed trawlers in Falmouth that must visit UK waters at intervals to be classed as British

boats operate out of Spanish ports but are represented by agents in Britain. They are each required to pay four eight-hour visits to British ports every six months but do not have to land any fish here. In theory, British fishermen could register their boats in

Spain and trawl for Spanish fish quotas. However, there is little fish worth catching off the Spanish coast.

Tony Baldry, the Fisheries Minister, said he could not comment until he had studied the opinion in detail.

David Harris, Tory MP for

St Ives, where many fishermen live, said: "It is diabolical and points up the iniquity of the common fisheries policy. I have no doubt we will have to pay up. It will further inflame the debate about loss of national sovereignty."

Jim Portus, of the South

West Fish Producers' Organisation, said: "It is a disgrace. These blighers take about £25 million worth of fish every year that should be caught by our boys. We have been forced to let them back into our waters. Now we have got to pay them compensation as well."

SATURDAY IN THE TIMES



Le Christmas shopping: a special offer

Take your car to France on Le Shuttle for less than £30 — and get 33 per cent off all your duty free



WIN: Our top 100 winter wines

Divorces down for first time in 5 years

By IAN MURRAY

THE number of divorces fell last year for the first time since 1989. Official figures published yesterday show that the 158,000 decrees absolute granted during the year were 7,000 down on 1993, a drop of 4 per cent.

The figures suggest that the decline of the British family during the past two decades may have been halted. Underlying them, however, is a fall in the number of marriages, with up to a third of couples now choosing to live together in long-term relationships without marrying.

Fewer than 300,000 couples were married in 1993, compared with 426,000 in the record wedding year of 1972. First marriages are at their lowest level this century. About 40 per cent of marriages today involve at least one partner who has been married before.

Wives were granted 71 per cent of the decrees, citing behaviour (53 per cent) and adultery (22 per cent) most commonly. Of decrees granted to husbands, the most usual grounds were adultery (37 per cent) and separation — having lived apart for two years and then agreeing to split up — (28 per cent).

The average marriage at the time of divorce had lasted for 9.8 years, according to the figures from the Office of Population Censuses and Surveys, which will be published in full next year. Brides and grooms are an average three years older than a decade ago.

NEWS IN BRIEF

Riot charge football fan is cleared

A football fan charged after the riot that caused a match between Ireland and England to be abandoned earlier this year walked free yesterday after a judge in Dublin discharged the case. Judge Cyril Kelly directed that a not-guilty verdict should be recorded for Paul Kieser, 26, a businessman, of Fareham, Hampshire. Earlier, a policeman had conceded doubt about his identification of Mr Kieser.

PC accused

Police Constable Gerard Sharratt, 29, a Metropolitan Police driving instructor, is to appear at Cambridge Magistrates' Court on January 31 charged with causing the death by dangerous driving of Judith Hood, 27, of Stevenage, a nurse.

Deadly drink

Alcohol abuse is responsible for 70 per cent of murders and half of all domestic violence cases, a report by Alcohol Concern and the Divert Trust claimed. The group called for co-ordinated policies to break the link between drink and crime.

Ravens' royal job

Two ravens rescued as fledglings from the New Forest are being sent to the Tower of London. The birds, named Odin and Thor by Forestry Commission workers, will replace one of the tower's resident ravens which died earlier this year.

Lobster liberators do diners a favour

Dr Thomas Stuttaford

AMERICAN animal rights activists are as interested in fish as sheep and have begun to harangue diners at seafood restaurants who are about to select lobsters swimming in tanks.

Their interest in crustaceans is not based on a desire to choose a particularly succulent one but rather so that they can release it back into the Atlantic.

A public health report, quoted in the *British Medical Journal*, says that the protesters may occasionally be doing the seafood diners a good turn. The idea, carefully fostered by restaurateurs, that a fish swimming in a tank must be free of bacterial contamination, and therefore free from the risk of transmitting disease, is not necessarily true.

An outbreak of cholera in Hong Kong has been traced to a fish restaurant where water in the tank had become home to a flourishing colony of vibrio cholerae, the organism responsible for cholera. Fish are only as safe as the water is clean. The restaurateur protested that the water was changed regularly but as he refilled his tank from a harbour overcrowded with boats discharging their sewage into the sea, his plea was considered a very poor defence.

Many people have an allergy to shellfish and should avoid them, but shellfish are

also frequently unfairly blamed for attacks of gastroenteritis. It is too easy to attribute a bad hangover to contaminated shellfish when the real blame lies with what has been drunk rather than eaten. There are, however, many instances, particularly in warmer climates, when shellfish are to blame. Crustaceans have an excellent filtration system which sifts out solids in the water. It is so efficient that even viruses are not too small to be ingested: mopping up vibrio cholerae would give no problems to the smallest shrimp or the biggest lobster.

Cholera, which causes diarrhoea with the dangerous loss of fluids rich in sodium chloride and potassium, is not a problem in Britain but seafood can, and does, transmit other organisms, both bacterial and viral.

Travellers visiting exotic spots overseas are no longer routinely immunised against cholera as the protection they afford is considered to be too low. In the unlikely event of an outbreak occurring while on holiday, tetracyclines can be taken prophylactically. Even when there is an outbreak it is usually confined to the less salubrious parts of any resort as to be infectious water does not only have to be dirty but filthy with faecal contamination.



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**Dole joins
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Law page 48

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Dole joins attack on Hollywood after copycat raid

FROM QUENTIN LETTS IN NEW YORK

ROBERT DOLE, the Republican presidential contender, has stepped into the latest attack on Hollywood over the film, *Money Train*, which is being blamed for an arson attack on a New York subway worker that left him fighting for life.

Mr Dole said that "the American people have a right to express their outrage" over the apparent link between the film and the attack. "They can do so not through calls for government censorship, but by derailing *Money Train* at the box office."

Columbia Pictures, the maker of the film, said it was "appalled and dismayed" by the firebomb attack, while its co-stars, Wesley Snipes and Woody Harrelson, expressed sympathy for the clerk, Harry Kaufman. He was badly burnt when two men squirted inflammable liquid through the grille of his ticket booth and set it on fire, as happens in the

film. Mr Snipes said this week: "My prayers are with Harry Kaufman and his family. I feel remorseful and am deeply saddened by what has happened."

In the copycat incident on Sunday, the booth exploded, critically wounding Mr Kaufman, 50. He has third-degree



Kaufman: fighting for his life after attack

burns to 80 per cent of his body and may not survive.

Mr Dole said: "That just may be an eerie and frightening coincidence, but coming only a few days after the movie was released, it offers a powerful reminder of the influence Hollywood has over our society and our culture."

On the floor of the Senate this week, he said: "Those who work in Hollywood's corporate suites must also be willing to accept their share of the blame. Is this how they want to make their livelihoods? Is this their contribution to society?"

Transport officials denounced the film, which deals with a plot to rob an armoured train that collects the takings from New York's subway stations. In one scene, a pyromaniac called Torch approaches a ticket booth, sprays the clerk with petrol, and asks her if she likes the smell of burning flesh. He then lights a



Woody Harrelson, left, and Wesley Snipes in a scene from the film "Money Train", about robbery on the subway

match. The first police officer who reached the scene found Mr Kaufman's body still smoking, his clothes burnt away. Before losing consciousness, Mr Kaufman said: "Someone blew up my booth."

Hollywood producers and directors were heavily criticised after the bomb blast in Oklahoma City — which destroyed a federal building killing 168 people — for the violent nature of its films: Quentin Tarantino's *Pulp Fiction* portrays killers as stylish, Oliver Stone's *Natural Born Killers* allegedly inspired copycat incidents, and films such as *Reservoir Dogs*, *Blown*

Away and *Speed* glamorise aggression. In Tokyo, the Aum Shinrikyo cult's sarin gas attacks on Tokyo subways mirrored the plot of *Scimitar*, a book by Ed McBain.

Alan Kiepper, head of New York's Transit Authority, said: "It is unfortunate that movie producers tend to use public

transit to dramatise violence." A \$21,000 (£13,500) reward has been offered for information leading to the arrest of the attackers.

The film, which took more than \$16 million at the box office in its first week, is number four on the list of New York's most popular films.

Drug debt mother sold son to dealer

Detroit: A mother sold her 15-year-old boy to a drug dealer to pay a crack cocaine debt, police in Detroit, Michigan, said yesterday.

The boy was allegedly used as a sex slave and forced to sell drugs during the six months he was with the dealer.

"At first she told us her son left willingly with the dope man," Sergeant Shelley Foy said. "But that story didn't check out. Our information is this woman owed the dealer between \$600 and \$2,000 (£387 to £1,290). To help satisfy that debt, she literally sold her boy." The condition of the boy, who was found on Monday, was described as fair by George Clarkson, a police spokesman.

Police said that two people were being questioned in connection with the boy's disappearance and that his mother was likely to be charged.

The boy's grandmother said that he telephoned her on Monday night and told her he was all right but refused to say where he was. She called the police who traced the number and found the boy. (AP)

Aristide vows to step down next year

FROM DAVID ADAMS IN MIAMI

AFTER dropping hints that he might cancel next month's elections, President Aristide of Haiti has confirmed that he will not seek an extension of his term in office and will step down in February.

That comes as a great relief to foreign officials involved in the year-old United Nations mission in Haiti, who had feared that Mr Aristide might bow to popular demands that he should stay on for three more years.

Many Aristide supporters believe he should be granted the three years to compensate for his exile after a 1991 coup forced him from office. However, in an interview to be published in Haiti today in a weekly newspaper, Mr Aristide is reported to have said that the election would be held on December 17 and he would leave office in February.

Some lingering anxiety remains over a Cabinet resolution to be discussed today calling for Mr Aristide to stay on. The resolution, and much of the uncertainty, stems from a national conference of his supporters last week, at which Mr Aristide appeared to advocate staying in power.

With the United States set to embark on another overseas military mission in the former Yugoslavia, any upset in Haiti could have far-reaching consequences.

Tensions are rising in Haiti as the elections approach, and the political climate does not appear to favour the peaceful, democratic transition the UN had been hoping for. The murder on November 7 of a left-wing politician, who was a cousin of Mr Aristide, sparked rioting and mob violence during which eight people were killed.



Aristide: supporters want him to stay in office

Scientists to tap US naval secrets

FROM QUENTIN LETTS IN NEW YORK

SECRET data about the Arctic ice pack is to be disclosed by the US Navy and may give scientists fresh insights into global warming. The figures, dating back to 1957, measure the depth of ice and chart ice flows.

The statistics are being released as part of a relaxation of secrecy exercise after the Cold War. The Arctic Basin was an important theatre for nuclear submarines and details of their operations have previously been classified.

The submarine crews measured ice depths to help them to find areas to surface. Thick ice zones were used as places to hide from Soviet forces.

Scientists have hailed the statistics as a treasure trove. The navy's decision to publish came after pressure from Al Gore, the American Vice-President, and a group of scientists called Medea (Measurements of Earth Data for Environmental Analysis). The group has issued a booklet, *Scientific Utility of Naval Environmental Data*, in which it urges greater disclosure by the US Navy to assist civilian research.

Dr Gordon MacDonald, head of Medea, said: "The navy holds much more data on the past state of the oceans than the civilian community could ever hope to get hold of. The value of that data is measured in tens of billions of dollars."

Submarines have been acquiring sonar ice data since the first Arctic crossing by *Nautilus* in 1957, and records were taken of the locations of the vessels at the time. Data from the US Navy's most recent operations will not be published, but the older figures may allow scientists to look for any deterioration in the ice pack.

Dr MacDonald's group believes the information will increase our knowledge of Arctic fish stocks, and may enable oil companies to work out the operational difficulties involved in tapping reserves in the area.

The naval statistics should prove more useful and accurate than alternative ice data methods such as airborne monitoring and surface drilling.

Dr Walter Munk, a member of Medea, said: "It's a real event in the history of oceanography."

Singer's defence team to use OJ trial tactics

FROM GILES WHITTELL IN LOS ANGELES

CONFESSIONS of police misconduct may help to free a rap music star charged with murder, less than two months after similar sloppy police work played a central role in the acquittal of O.J. Simpson.

The prosecution in the trial of Calvin Broadus, 24, a top rap artist also known as Snoop Doggy Dogg, and his bodyguard, has been forced to admit that police mistakenly destroyed a bloodstained shirt belonging to Philip Woldemariam, their alleged victim, and the bullet that

killed him in a west Los Angeles park two years ago.

Defence lawyers claim the singer and his bodyguard acted in self-defence. They said their planned attack on what they consider a botched police investigation will be the centrepiece of their arguments — a tactic used to devastating effect by Johnnie Cochran, Mr Simpson's lawyer, in persuading jurors to find him not guilty of murdering Nicole Brown Simpson, his former wife, and Ronald Goldman, her friend.

Japan adopts new defence strategy after Cold War era

FROM PEREGRINE HODSON IN TOKYO

FOR the first time in 20 years, Japan is to adopt a new national defence policy in response to the changed priorities of the post-Cold War era. Significant cuts in manpower, aircraft and ships will be offset by enhanced technology.

Up to the last minute, the different factions within the ruling coalition Government disagreed about the final draft of the plan. The Socialists and the Sakigake New Party wanted Japan's "three principles" — prohibiting arms exports to Communist countries, countries subject to United Nations arms embargos and states involved in international conflicts — to be included in the new programme.

The two groups also pushed for a declaration that nuclear weapons should be abolished. But the Liberal Democratic Party opposed both these proposals. A compromise called for Japan to strive towards a world without nuclear weapons.

Earlier this month the United States Defence Task Force

published a report pinpointing the need "to seek from the Japanese Government a clarification of the arms exports principles", which have been used as "an excuse" by Japanese companies for their unwillingness to co-operate with America. Ryutaro Hashimoto, the LDP leader, said yesterday the "three principles" on arms exports were incompatible with the new defence plan.

The programme comes at a critical phase in US-Japan relations. Japanese support for the US-Japan security treaty — the linchpin of US strategy in the Asia-Pacific region — has slumped since the rape of a Japanese girl by US Marines based in Okinawa. Debate over the treaty is long overdue.

Under the new defence plan, the Japanese Navy will reduce its surface ships and anti-submarine planes by 20 per cent and halve its minesweeping fleet. The air force will cut its 350 fighters by 10 per cent. The army quota will be scaled down to 144,000.

Despite the end of the Cold War, Tokyo still perceives threats, principally from North Korea, which is suspected of nuclear weapons capability. Many Japanese fear Pyongyang may be slipping towards a more hardline military posture. China's recent missile tests and military exercises in the region have also raised tensions.

In the face of these developments, the Japanese decision to reduce its military capability seems at odds, but the cuts will be offset by the application of advanced technology. The key development will be a theatre missile defence network, backed by larger aircraft. The technologies for these systems will provide Japan with a useful entry into avionics — one of the few sectors in which Japan has little experience.

By shifting the emphasis from manpower to high technology, Japan is also laying the groundwork for an assault on the world's most lucrative trade — arms sales.

Nairobi arrests Rwanda suspects

FROM SAM KILEY IN NAIROBI

KENYA has cracked down on Rwandan exiles alleged to have been ringleaders in the slaughter of more than a million Rwandans last year.

The move came on the eve of a summit, opened in Cairo yesterday by President Mubarak of Egypt, aimed at ending the Hutu-Tutsi conflict.

Scores of prominent Rwandans, including two bishops, were arrested by the Kenyan police in a weekend roundup clearly designed to demonstrate a commitment to help with genocide tribunals planned to open in Tanzania next year.

President Moi of Kenya said this year that his country would not co-operate with efforts to bring those behind the genocide of Tutsis and moderate Hutus to trial, but he backed down after an international outcry. Kenya has been a haven for Hutu extremists linked with massacres of Tutsis that reduced their population from 1.1 million to 80,000.

Agathe Habyarimana, a member of the death squad



Zairean soldiers guard Rwandan refugees at Ketele as a Cairo summit debates ways of returning them home

that was the chief organising body for the genocide, was not detained in the police sweep but continues to enjoy the hospitality of the Kenyan President, who has provided her with a luxury flat in Nairobi. Bishop Adoniah Sebununguri, former Dean of the Anglican Church in

Rwanda, was arrested and released because of his advanced age, but another Anglican bishop, Aaron Ruhumaliza, was still being held.

Yesterday's summit, attended by the presidents of Zaire, Rwanda, Uganda and Burundi, was organised by Jimmy Carter, the former American

President, and Julius Nyerere, Tanzania's founding President. In his opening statement, Mr Mubarak struck a note of optimism which sits uneasily with the bloody realities of life and death in the countries along the shores of Lake Victoria, Tanganyika and Kivu. "I am con-

fident that this conference will be successful in laying the foundations for lasting peace," he said.

However, successive diplomatic missions to Burundi have failed to end a relentless low-level civil war between the Tutsi-dominated army and the Hutu majority.

Last liger dies in zoo after illness

FROM INIGO GILMORE IN JOHANNESBURG

THE world's last known liger, a freak crossbreed of a male lion and a female tiger, has been put down at a South African zoo after it was discovered that the animal had cancer.

The Bloemfontein Zoo in the Orange Free State said yesterday that 20-year-old Tokkelos was given a lethal injection on Monday after being diagnosed as having cancer of the salivary glands. For more than a week the animal, clearly in pain, had not responded to antibiotics, refused food and began losing weight.

Johan Steyn, senior curator at the zoo, said: "It was very sad. We have had a flood of phone calls from well wishers. A lot of people were very fond of it."

The zoo's liger history dates back to the 1930s when a tiger and lion were first put together in a cage. To the zoo keepers' surprise the animals did not fight and before long were reproducing. As word of the crossbreeds spread there was a great demand for the animals and several were exported to Europe. There was also demand for the animals' oversized dung, which was spread on lawns to ward off stray dogs.

Mr Steyn said that Tokkelos was one of three ligers born in the last recorded litter in 1975, and had outlived by a few years his brother or sister which had been moved to a European zoo. In 1985 Tokkelos killed a zoo employee.

The animal was renowned for its irrational behaviour. At feeding time each Sunday it charged at a zoo keeper standing behind an iron grille, roaring and thrashing its head.

According to the zoo records ligers live for about 18 to 23 years and, weighing 550 to 660lbs, are bigger than Bengal tigers. The faint striped colouring is similar to that of a lion but its mane less bushy. The liger's teeth appeared to be bigger than those of its parents, in the case of Tokkelos measuring 2ins.

Egyptian poll tests Islamists' strength

FROM CHRISTOPHER WALKER IN CAIRO

AFTER a campaign marred by gunfights and mass arrests, Egypt goes to the polls today to choose 444 members of the National Assembly.

The most open election in the country's history will provide critical evidence of the level of support for Islamic fundamentalism. "For the first time, we will be studying the results with real interest," a senior Western envoy said.

The poll comes less than a week after the Mubarak Government sentenced 54 members of the previously tolerated Muslim Brotherhood to heavy jail terms. Despite the sentences and the closure of the Brotherhood's Cairo headquarters, the newspaper *al-Arabi* believes the group still intends to field 150 candidates, most as independents, and all dedicated to transforming Egypt into an Iranian-style theocracy.

The Brotherhood claimed yesterday that 312 of its polling agents had been seized in nationwide raids on their homes, and said many others had been forced into hiding.

At last week's trial, one of the defendants shouted: "All the charges against us are false... The real reason for the arrests was the Government's fear of our popularity."

Many Egyptians, apathetic as a result of the shameless vote-rigging of the past, have vowed to vote this time — either to support the Islamic trend in the face of repression or to oppose what they see as a threat to their tolerant society.

"In Algeria, the people defied bombs and bullets to go against the electoral boycott called for by the Islamists," Muhammad Youssef, 43, a voter in one of Cairo's slums, said. "That is why I have got myself and my family voting cards for the first time. We have to speak out against these madmen." Mr Youssef, one of many Egyptians whose income has slumped after three years of attacks in which eight tourists were killed and 60 were wounded, added: "This is the chance to show... what we think of them."

Dissidents ask China to free rights activist

FROM JAMES PRINGLE IN PEKING

FIFTEEN Chinese dissidents, in an open letter to parliament, have appealed for the release of Wei Jingsheng, the human rights campaigner held on charges of trying to overthrow the Government.

The dissidents, in an approach likely to infuriate the Government but which shows that at least some groups are still willing to challenge the vast security apparatus of the Communist state, also asked for the release of other political prisoners in jails and labour camps.

Details of the letter sent to the National People's Congress, formerly a rubber-

stamp body that has recently shown signs of greater independence, were issued yesterday by Human Rights in China, an exiled dissident group in New York.

Dated Monday, the letter said the arrest last week of Mr Wei was illegal and violated the constitution. "The arrest of Wei Jingsheng shows that the ruling party is insincere about the political reforms it has promised," it added. Open dissident appeals have been rare since the violent suppression of student-led democracy demonstrations in Tiananmen Square on June 4, 1989.

"Ever had the feeling you're being watched, Lewis?"



So far this year nine dramas from Carlton UK Television have each attracted audiences of ten million or more. Carlton UK Television has made up more than a third of ITV's 1995 drama output, providing award-winning programmes such as Peak Practice, Ravenhill 90, Broadwell and Soldier Soldier. With more still to come, tonight at 8.00pm on ITV.

CARLTON UK Television

ANNE ASHWORTH

Mish-mas

Bene

BUDG

Tense, painful

THE TIMES BUDGET 95

12 PAGES
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WEDNESDAY NOVEMBER 29 1995

Mish-mash Budget is gift from heaven for Blair

Two people at least must have been delighted by yesterday's Budget. Kenneth Clarke's mish-mash of half-measures may have seemed like thin gruel for taxpayers, Tory backbenchers and investors, but for Tony Blair and John Redwood it was manna from heaven. This was a Budget that bore the hallmark of John Major even more than of Kenneth Clarke: small scraps to pacify almost every disaffected constituency, the final result of which was to leave everyone dissatisfied.

For the Tories, the big disappointment was the modesty of the cuts, both in taxes and public spending. The reduction of 1p in the standard rate, combined with a very modest widening of tax bands, was not remotely enough to defuse the Tory tax bombshell that Norman Lamont dropped after the 1992 election. That has, of course, delighted Tony Blair, who was

able to quote his credible figures which showed that even after this Budget, the average taxpayer would pay the equivalent of 6p or 7p more in standard rate income tax than he did in 1992/93.

The small tax giveaway was made inevitable by the Cabinet's surprising inability to achieve any substantial economies in public spending. If the Budget fails to inspire a Tory revival, it will give plenty of ammunition to John Redwood and his fans on the Right.

Next year's total spending is planned to be £3 billion lower than the plans announced in the last Budget. But these cuts have been achieved entirely by reducing the £6 billion contingency reserve to £3 billion. This is a perfectly respectable procedure, since in years past, the contingency reserve has all too often been handed out to clamorous ministers in the annual spending round.

It means, however, that Mr Clarke has done no better than to balance the demands of overspending colleagues against cuts elsewhere. The cuts, secured in specific programmes such as roads, defence and housing, have been absorbed by extra spending elsewhere. For example, the £2 billion cut in capital spending achieved by implementing the Private Finance Initiative, one of the main innovations in the Budget, was balanced by extra spending on education and health. Even the vaunted economies in civil service running costs and the lower than expected inflation rate were swallowed up.

The Budget says that total public spending will be cut in real terms by one per cent in 1996/97. But this forecast must



ANATOLE
KALETSKY

be treated with caution. Last year, Mr Clarke predicted an almost identical reduction of 0.75 per cent in real terms for public spending in 1995/96. Today, the Treasury's best guess is that that real public spending will have risen by 0.25 per cent during the year. If cutting public spending is identified with virtue, as it is in the Tory lexicon, then Mr Clarke has again chosen the principle of "make me virtuous, but not yet". The same Augustinian approach was apparent in the Chancellor's projections for public sector borrowing — and explained why the City, too, found it mildly disappointing yesterday.

A year ago, the Treasury predicted that the Public Sector Borrowing Requirement would fall sharply and continue to

decline steadily in successive years. The object of this policy was to eliminate the public deficit from sowing the seeds of the business cycle and thereby create the conditions for permanently low inflation and interest rates. The Treasury's projections last November showed a steady decline in the PSBR from £34 billion in 1994/95 to £22 billion in 1995/96, £13 billion in 1996/97 and zero by 1998/99.

Nobody in the City seriously expected these targets to be hit precisely, especially after Mr Clarke applied the interest rate leeches to an already anaemic economy. But even so, the markets were unpleasantly surprised by the scale of the overshoot in public borrowing announced yesterday. According to Treasury officials, the damage was done not so much by inadequate growth, but rather by a mysterious

change in economic behaviour (otherwise known as tax avoidance) which has meant that less revenue is yielded by any given level of economic activity.

The PSBR for 1995/96 is now put at £29 billion instead of the £22 billion forecast last November. The PSBR targets for future years are now £22 billion in 1996/97, £15 billion in 1997/98 and balance in 1999/2000. It is no coincidence that this profile of steadily declining borrowing is exactly the same as the one Mr Clarke announced last year, but happens exactly a year later. It is also no coincidence that the City disbelieves the Treasury's figures. There should, nonetheless, be scope for a quick post-Budget reduction in interest rates. But the chances that Mr Clarke will stand at the despatch box in 1997 to explain that the PSBR will honestly be in balance four years later now seem exceedingly small.

PETER NICHOLLS



Kenneth Clarke, his wife Gillian at his side, displays the Chancellor's battered box containing his Budget speech before leaving 11 Downing Street for the Commons

By ROSS TIEMAN
JONATHAN FREYIN
AND PATRICIA TERHAN

Benefits of private funding 'starting to flow'

THE Government is aiming to sign contracts for private companies to build or supply hospitals, roads and other amenities worth £14 billion by April 1999, the Chancellor said.

Although the pleas of construction industry bosses for a fillip to the Private Finance Initiative were spurned, Mr Clarke said the benefits of substituting private cash for taxpayers' money were "starting to flow".

Industry chiefs have complained that because it can take years to design schemes, negotiate contracts and arrange funding, the PFI has failed to compensate for cut-backs in government spending, especially on roads.

But Mr Clarke said that actual investment by the private sector in PFI schemes,

where facilities are built by the private sector and leased to the state, will be about £2 billion in each of the next three years, and rising.

"This money is replacing old-style, public-sector capital spending and can deliver big gains in value for money for the taxpayer," the Chancellor said yesterday.

"As a result of these flows of private finance, we have been able to find savings in publicly-financed capital, while maintaining overall high levels of investment activity and high-quality investment."

Later today, the Treasury is expected to publish a list of 1,000 projects, potentially worth £25 billion.

However, the projects detailed in the Budget were

comparatively modest. The Chancellor announced a £900 million package of new road schemes, and detailed five other projects which would be developed by private companies.

Although a third of the Whitehall-sponsored roads programme fell under the Treasury axe, five new "Design Build, Fund and Operate" (DBFO) road schemes worth £900 million were subsequently detailed by the Department of Transport: improvements to the A13 in Essex; improvements and by-passes on the A21 in Kent; improvements and by-passes on the A303/A36 in Wiltshire; improvements to the A428, A43 and A6 in Bedfordshire and Northamptonshire; improvements and by-passes on

the A65, A629 and A650 in Yorkshire.

Under the scheme, private companies will take responsibility for building and operating roads under 30-year contracts. They will be paid "shadow tolls" by the Government based on the number of vehicles using the roads. It is hoped that the transfer of risk to the private sector will spur road operators to deliver smoother, safer, better-maintained highways.

Sir George Young, the Transport Secretary, said that the PFI was "now generating substantial levels of investment beyond what can be funded by the Exchequer." In total, 37 schemes worth more than £1 billion are already earmarked for the DBFO programme.

In the health sector, two hospitals run by South Buckinghamshire NHS Trust are to be modernised at a cost of £35 million at High Wycombe and Amersham.

Bids are being invited for a

£50 million category B prison, to be run by the private sector, at Lowdham Grange, near Lambley, Nottinghamshire. Contracts for two others, at Bridgend, Mid-Glamorgan, and Fazakerley, near Liverpool, will be signed shortly, the Chancellor said.

Tenders to build a £45 million water scheme for the Highland Regional Council at Inverness and Fort William would close on December 5, he said.

Michael Jack, the financial secretary to the Treasury, who is in charge of the Private Finance Initiative, will publish other details of progress later today. He is expected to insist that the Government is on course to meet the target, outlined in Mr Clarke's November 1994 Budget, of £5 billion-worth of schemes contracted in the current year.

The winner of the contest to build the £2.7 billion Channel Tunnel Rail Link, which will account for more than half the total, is expected to be named

next month. But with little more than £1.1 billion of other schemes agreed, the Chancellor is still over £1 billion short of his target.

Mr Jack is also expected to detail plans for a new training scheme to help Civil Servants implement the PFI. One of the biggest hold-ups to progress with the PFI has been the much increased demands it places upon officials, who are required to act like private-sector purchasing managers, taking a much more entrepreneurial approach to projects.

But the president of the Royal Institution of Chartered Surveyors, Simon Pott, said that a "dramatic improvement in the PFI's ability to fund capital projects will be needed if the faith placed in it by the Chancellor is to be justified."

He called for the Government to recognise that "some public sector schemes are just not suited to the PFI process. Officials must 'think through' what they wanted from the private sector."

Investment bankers welcomed the emphasis given to the PFI, but called for more detail from the government on how it will work. Richard Millwood, head of the PFI unit at Kleinwort Benson, said the biggest thing done by the Chancellor yesterday was "to raise the profile of the PFI again so that the Treasury knows it has to happen."

Mr Millwood said he hoped to see some procedural measures announced with the detail of the plans today to speed up and streamline the process. He thought the

plans to target investment at £2 billion a year over the next three years were "quite realistic, maybe even cautious". He had expected a higher number, he said.

He added that he was surprised at the estimate of agreed contracts worth at least £14 billion by the end of 1998-9, but thought it was "achievable".

Mark Stockdale, building analyst at SBC Warburg, said the Government had painted the big picture, what was needed now was some detail. He said: "The Government is showing a lot of commitment to the theory of PFI, but as yet there are very few contracts let and the mechanics of how they are let and their rate of return is unknown."

This made it difficult for construction firms and their joint venture partners such as banks to have any real understanding of potential profitability, he said.



Tense, painful headache?

REPORTERS from *The Times* went to Croydon, south London, last night to gauge the reaction to the Budget among Kenneth Clarke's key target audience: former Tory voters who are disillusioned with the Government. In the newly created key Tory marginal seat of Croydon North, a straw poll of eight people — who have voted Tory before but are less sure now — prompted a varied response. Their replies are reported in this supplement.

Some felt Mr Clarke had helped Middle England with tax cuts and more money for the Health Service, others said he had not done enough to boost the housing market and help those on low incomes. Croydon North, created when the Boundary Commission merged Croydon North East and Croydon North West, has many floating voters and will be a key marginal seat at the next election. If the Tories want to win it, yesterday's Budget will have to go some way to bringing wavering voters back to the Tories' side.

Ian Isaac, 32, centre manager for Lombard financial services, Croydon, said: "I am slightly more likely to vote Conservative now. While the Chancellor has done a bit more for Middle England than — as I would describe myself — he has not thrown caution to the wind which would have been disastrous. The only question is whether it is too little, too late, to save the Conservative vote."

Barry Cripps, 42, owner of the builders Coldstream Construction in Croydon, said: "I will definitely not vote Tory now. This is the nail in their coffin as far as I'm concerned. Their last chance and they blew it."



THE LITTLE YELLOW BOX
THAT'S A GREAT BIG HELP

ALWAYS READ THE LABEL

*Trade Mark

BUDGET 95

The Chancellor keeps his pledge to have fun as he puts a little bit back in our pockets

Benefits across the ages

As he began his speech, Kenneth Clarke assured us that he was going to enjoy himself. To suggest a fun atmosphere, he chose a tie decorated with what looked like party streamers. His Budget, he pledged, was going to be a pleasurable experience for those who wanted to get on in life, those who wanted to keep more of what they earned.

Most of those covered by this broad definition would agree that Mr Clarke kept his pledge. The cuts in taxes will put some money into the pockets of those in work, while those who also save will be better off to the tune of £5 for every £100 worth of building society interest.

The benefits are spread across the age groups, extending into old age and beyond. Pensioners will pay less tax on their savings and can enter long-term care with the reassurance that the State will start to step in when their savings fall below £16,000, twice the previous limit.

One special interest group will be especially pleased — the 4,000 individuals with more than £200,000 invested in Government gilt-edged stocks. An obscure paragraph in a Budget press release reveals that the Chancellor has decided, after all, not to tax the gains on their holdings. A "hurrah" is even now rising from the shires, as well as a warm toast to Mr Clarke in lower excise duty single

malt. The Chancellor's largesse was not infinite, however.

He disappointed the ten million home buyers who had hoped against hope that he would breathe new life into the housing market. Touching on this subject, he confessed, with disarming frankness, that anything he could afford to do would make no difference.

Although married for 31 years to the same Gillian née Edwards, he also did little to reinforce his reputation as a staunch supporter of the institution of matrimony.



COMMENT
ANNE ASHWORTH
Personal Finance
Editor

The married couple's allowance, frozen since 1991, is rising by an insignificant £70 to £1,790, making it worth £268, scarcely an incentive to trip up the aisle. This is around one third of its value

in the 1992-93 tax year when it left a higher-rate taxpayer £688 better off.

The Chancellor's argument is likely to be that his measures, taken together, leave married couples better off. A

couple where the husband earns £50,000 and his wife £16,000 will gain £538. A pair on below average earnings, where the husband has a salary of £12,000 and the wife earns £2,000 from her part-time job, are left with an extra £150. A man on average earnings needed a tax cut of 8p to restore him to the position he enjoyed in 1992-93. This year's various provisions have reduced this to 6.5p.

Mr Clarke can also argue that he has addressed himself to one of the major concerns of thousands of households, with his long-term care measures. Pointing out, quite rightly, that the current arrangements put those who save at a disadvantage, he now intends to promote thrift.

Of particular note is the partnership approach, where those who agree to meet a proportion of their costs from their own pocket will be able to retain more of their assets above the £16,000 threshold. This is an idea which the Chancellor has borrowed from California, an area better known for its preoccupation with youth than the twilight years. It seems the surfer set can be successfully persuaded to set money aside for their dotage, on the promise that the sunshine state will share the burden after

a three-year period.

The raising of the inheritance tax threshold to £200,000 also recognises another anxiety that preys on middle Britain. A greater percentage of homes will now cascade down tax-free to the next generation. But the abolition of the voluntary tax and that of its sister, capital gains, has been postponed. Maybe it will be swept away in the simplification of tax, also promised by the Chancellor. The system must certainly be complicated because accountants are now asking for reform. We can look forward to comprehensible tax rules. But one thing is certain, this will take longer than making 20 per cent the basic rate of tax.

Basic rate cut to 24p in the pound

Highest-paid gain as Clarke edges towards 20% goal

BY MARIANNE CURPHEY AND CAROLINE MERRELL

THE Chancellor used the Budget to take 200,000 people out of tax completely and bring a further one million into the 20 per cent lower-rate tax bracket. As widely predicted, he also sliced 1p off the basic rate of tax, bringing it down to 24p in the pound.

In doing so Kenneth Clarke came a step closer to the Government's aim of reducing the basic rate of tax from 25 to 20 per cent. But in cash terms he gave more financial help to the higher paid by raising the 40 per cent tax threshold, giving an executive earning £50,000 an extra £538 a year on average.

Mr Clarke also increased the basic personal allowance, (the fixed sum an individual is allowed to earn in a year without paying tax), by £240 to £3,765, £100 more than inflation. The lower rate tax band was increased by £700. This spreads the benefit of tax cuts among the largest number of people, rather than just higher earners.

The Chancellor said: "We have a clear commitment to the 20p basic rate. We believe in it and we can achieve it."

The married couple's allowance, which has been frozen since its introduction with independent taxation in 1990, was increased by £70 to £1,790.

As a result of the Budget measures, a married couple with only one earner on average wages and with two children would pay £190 less in tax. Mr Clarke told the Commons: "It is a myth that the tax system penalises marriage and that single people are better off than married couples. Any couple contem-

plating living together and starting a family will pay less tax by getting married."

Before the Budget, the 20 per cent lower rate of tax applied to the first £3,200 of taxable income. This has now been increased to £3,900 — £500 more than inflation. Six million people from a total of nearly 26 million from April 1997 will pay tax on income at 20 per cent.

The Chancellor also helped out some of those who pay the higher rate of tax. In recent years, more people have been swept into paying higher rate tax — currently 2.1 million pay 40 per cent tax.

On this top rate tax band Mr Clarke raised the threshold by £1,200 — £200 more than inflation.

From next year, the tax threshold for higher-rate tax will affect taxable income over £25,500, compared with the current level of £24,300 and over. When the increase in personal allowances is taken into account, only those earning more than £29,265 will pay higher-rate tax.

Peter Wyman, head of tax at Coopers & Lybrand, said: "By concentrating on the lowest-paid people, the Chancellor has taken more people out of the tax net entirely. It contrasts with Labour's plans of making the lowest rate of tax 15 per cent. I am sure the lower paid would prefer to pay no tax at all."

Sue Holmes, senior manager in personal taxation with Price Waterhouse, said: "Most people appear to have gained from this Budget. Though the lower paid gain a slight financial advantage the real winner

is the executive with a company car and a high salary."

Price Waterhouse calculates that a married couple where the husband is earning £50,000, has a company car worth £16,000, two school-age children, a wife who does not work and a £80,000 mortgage would be £538 a year better off.

This compares with a single person earning £15,000 who will be £169 a year better off, receiving a net income of £11,202 compared with £11,033 at present.

Pensioners, whom the Chancellor said should be rewarded for a lifetime of thrift, derive only a small benefit from the changes.

Married pensioners under 75 who are on a state pension, with the husband receiving a further £100 from an occupational pension and the wife earning £2,000 per year from investments, would be only £21 a year better off.

A single parent on the poverty line with one child and £5,000 from a part-time job will see their income rise marginally by £37 a year.

Since it came to power in 1979 the Government had reduced the basic rate of income tax from 35 per cent to 25 per cent, and 1992 saw the introduction of a 20 per cent tax band.

In 1979 the top rate of income tax was reduced from 83 per cent to 60 per cent and then in 1988 to 40 per cent.

Income tax is the largest single source of government revenue. At the time of the last Budget, income tax was expected to yield £70.1 billion (25.1 per cent of general government revenue) in 1995-96.



Peter Butler, Tory MP for Milton Keynes North East and Parliamentary Private Secretary to Kenneth Clarke, with his veteran Austin 7

Taxes on drivers receive mixed reception

BY KEVIN EASON AND NICK NUTTALL

DRIVERS were punished by the Chancellor yesterday with rises of between 10p and 18p in the price of a gallon of petrol. There was also a 5p rise to £140 a year in vehicle excise duty, but road tax on lorries was frozen for the sixth successive year.

The Government was already committed to a 5 per cent increase in fuel prices to meet environmental targets, but the Chancellor went further, raising prices by about 8 per cent.

The AA said a driver covering an average 8,000 miles a year would see fuel bills rise by £60 annually. The RAC said a company car driver travelling 50,000 miles a year would have to find £265 more. The AA said: "The motorist

always seems to have to find more. Sometimes it just seems like easy money to put more on the tax disc when what we need is a fundamental rethink of the tax system to encourage more environmentally friendly motoring."

The petrol increase is, however, unlikely immediately to

affect the price war raging on the forecourts, with Tesco and Sainsbury's both saying that they would freeze prices until Monday. Tesco's unleaded petrol is currently 22.3p a gallon (49.08p a litre); Sainsbury's unleaded is 22.8p a gallon (49.9p a litre). Shell also said it would hold

prices as long as it could. British motorists have been enjoying some of the lowest fuel prices in Europe because of the price war, which left Mr Clarke plenty of room for manoeuvre.

The Chancellor's decision to raise duty on unleaded and four-star petrol and diesel by 3.5p a litre (15.89p a gallon), and 4p a litre (18.1p) on super unleaded, did nothing to cheer environmentalists and clean air campaigners, who had expected swinging increases to curb the use of diesel fuel. Two reports have named diesel as probably responsible for the deaths of as many as 10,000 people a year through asthma and respiratory diseases.

Tim Brown, of the National

Society for Clean Air, said: "Car loving Mr Toad would have rejoiced at the budget, which failed to introduce any new measures to address air pollution." Charles Secrett, executive director of Friends of the Earth, said the budget was one of "missed opportunities and a great disappointment".

But Adam Worth, of the Freight Transport Association, whose members run about 520,000 lorries, said the duty was now around 28.17 pence per kilogram (12.7p a lb), making the price of the fuel at the pumps equivalent to 40p a litre. The spokesman said: "The effect of the Chancellor's announcement will be that we see smaller growth in gas powered vehicles than we had hoped."

late. Mr Clarke announced that he was cutting the duty on compressed natural gas, as road fuels to reflect their relatively low emissions and encourage their use. But the 15 per cent cut was given a mixed reception by the Natural Gas Vehicle Association, a trade organisation backed by car companies, British Gas and component makers. A spokesman said the cut meant the duty was now around 28.17 pence per kilogram (12.7p a lb), making the price of the fuel at the pumps equivalent to 40p a litre. The spokesman said: "The effect of the Chancellor's announcement will be that we see smaller growth in gas powered vehicles than we had hoped."

Middle managers fail to be persuaded

VOTER VERDICT

Asda middle managers joint income: £23,000
PAUL and Debbie Ramsay work at Asda in Wallington, near Croydon, southwest London. Paul, 42, is deputy groceries manager, and Debbie, 34, is a customer services manager.

They have been married for four months and have four children from previous marriages: Katherine, 13, Lisa, 12, Elizabeth, 10, and Hayley, 9.

Their joint income is around £23,000 and they have recently been given share options worth £1,000. They have a £40,000 mortgage. They are floating voters. Both smoke, and drink moderately.

Budget hopes: Paul wanted to see tax taken off cars and put on petrol. He also wanted to see cigarette and alcohol duty at least frozen. "The drinking and smoking taxes have hit us quite hard," he said. "We have been stung too often."

He believed the housing market should get a boost. "There should be some relief on mortgages," he said. "First-time buyers must be struggling at the moment."

He doubted the Tories would be able to cut income tax by enough to make a difference. "I certainly wouldn't vote for the Tories if they gave us just a penny in the pound," he said.

He fiercely opposed any further attempts by the Government to tax share options because of the harm done to people such as himself. "I am



Paul and Debbie Ramsay and daughter Hayley: "It won't make me vote Tory"

in favour of catching the bigger fish, the larger bosses who are getting substantial rewards from share options and are not paying tax on it. But there has to be a limit on it."

Budget reaction: "This is a Budget for voters," Mr Ramsay said. "It was exactly what I expected. They have just cut taxes. We will probably be £5 a week better

off. But that is not including the increase in car tax, petrol and cigarettes." The Budget certainly would not change the way he voted. "It won't make me vote Tory at the next election."

He welcomed the extension of childcare allowance in Family Credit from £40 to £60 a week. He also supported the decision to have 5,000 more police officers. He also

welcomed the new tax relief on share option schemes worth up to £20,000. "Lots of companies will get hold of that and make use of it," he said.

Although he was glad to see beer and wine duty has been frozen, he was not happy that cigarettes had gone up by 15p. "I feel a bit irritated that smokers have been hit again."

Inheritance tax raised to £200,000

THE inheritance tax threshold has been raised from £154,000 to £200,000. The move will take about 7,500 families out of the reach of the tax in the 1996-97 tax year.

Mr Clarke also proposed that shares in qualifying unquoted companies held for two years or more should be subject to 100 per cent relief from inheritance tax. Until now, transfers of unquoted shareholdings of 25 per cent or less in trading companies received 50 per cent relief. There is no change in relief for holdings of quoted shares, which remains at 50 per cent.

Normally, changes to inheritance tax become effective immediately, but both changes will become effective from April 6.

Insulation grants cut

JOHN GUMMER last night announced a £31 million cut in a scheme to insulate the homes of those on low incomes, the elderly and the unemployed (Nick Nuttall writes).

The Environment Secretary's decision, which angered energy campaigners, came as the Home Energy Efficiency Scheme celebrated the insulation of its two millionth house.

Mr Gummer said that he would be more finely targeting the project so that only the truly needy and impoverished would qualify for the 100 per cent grants.

No cheer for disillusioned Tory

MICHAEL POWELL



Barry Cripps: considers inheritance tax concession the only bright spot

Building firm owner: Barry Cripps, 42. Owns Coldstream Construction, a small building firm in Croydon employing ten people. A disillusioned Conservative voter, he has worked in the building industry for 20 years and is a high earner. He has two children, aged eight and four months. The older boy is attending a private primary school.

Budget hopes: Mr Cripps wanted to see help for the construction industry through a reduction in VAT on improvement works. He said VAT added an "astronomical" amount to the costs of his customers. "A figure like 17.5 per cent on £7,000 brings the price up another £1,000 for the customer," he said. "A general reduction of VAT to 8 per cent would help small businesses a lot." He also wanted to see the intro-

duction of some mortgage tax relief, together with the restoration of safety interest payment on new mortgages.

"This would also be a big help for the building industry, since people are frightened of spending money on property because the climate is so unstable."

"Moves like this would not just help the construction industry but a lot of ordinary members of the public as well," he added.

Budget verdict: Disappointed.

"There was no help for the construction industry here; in fact, the Chancellor dealt us a blow. The landfill tax will cause many problems because our industry generates a lot of waste and this tax will put up the cost of

such building products as skips. There was no help for the property market — it's all very well encouraging people to save, but he hasn't helped those in a hole, and the penny reduction in income tax is of little use to anyone. Those with negative equity will have a heavy heart after this Budget."

"The only positive thing I gleaned from this was the 100 per cent inheritance tax business property relief, which is an encouragement to carry on the family business, but there was nothing to stimulate it."

The rise in petrol prices is also bad news to Mr Cripps. "It affects transport, which is crucial to a builder, and I think the £500 million going into roads could have been better spent persuading people onto our public transport system."

BUDGET 95

11

Savers to keep an extra 5p in the pound from interest

By Sara McConnell
and Patricia Tehan

FOURTEEN million building society and bank savers will keep an extra 5p for every £100 they receive in interest from April 6. The amount of tax automatically deducted at source from interest on basic-rate taxpayers' deposit accounts will be reduced by 5 percentage points to 20 per cent. The cut will on average leave pensioners

with £75 more in interest over the year. However, some could gain £500 a year more, according to the Chancellor.

The move, which will cost the Treasury £400 million, was widely welcomed by building societies and banks. Adrian Coles, the Director-General of the Building Societies Association, said the change "makes deposit-based saving more attractive in terms of taxation than equity-based products". Borrowers

should also benefit, Mr Coles said, as building societies depend on attracting savers' funds to lend as mortgages.

Andrew Longhurst, chief executive of Cheltenham & Gloucester, said the reduction was good news, "particularly in a low-inflation climate where people are used to high returns and do not feel that they are getting a good return for their money". He said it was particularly positive for pension-

ers, who traditionally invest in building societies.

Jonathan Loyes, UK economist with HSBC Markets, part of Midland Bank's parent company, said: "It is another road towards a 20p basic rate of income tax."

Simon Quick, marketing manager for savings at Barclays, said the move was welcome, though he did not expect it to have a massive impact. "It will be good to see it encourages people to look at even

more tax-efficient ways of saving, such as Tassas," he said.

The Inland Revenue estimates that up to six million people who pay no tax or who are taxed only at the lower rate of 20 per cent are still paying too much tax on their savings. Currently, £2.5 billion is raised from tax on savings. A cut of 5 per cent would cost between £100 million and £200 million.

Older savers were given an extra boost with the announcement that

National Savings' Pensioners Guaranteed Income Bond would now be open to savers aged 60 and over. Under present rules, savers have to be 65 or over to qualify.

Savers will also be able to put up to £50,000 into the bonds (£100,000 for joint holdings) up from £20,000 (£40,000 for joint holdings).

The change was part of a raft of measures introduced by Mr Clarke to reward people who have earned and saved throughout their lives.

He was also responding to complaints made by older women when the bond was launched at the beginning of last year that they started receiving pensions at 60 but did not qualify to invest in the bond.

The Pensioners' Guaranteed Income Bond was launched in January 1994. There are 244,000 holdings in Pensioners Bonds with a total value of £2.2 billion. The average holding is just over £9,000.



Matthew and Carol Belsey and their sons

Homeowners feel deserted by Clarke

VOTER VERDICT

Family with mother at home: Matthew and Carol Belsey, 29 and 27, have two children, Samuel, 4, and Connor, 2. He is a BT engineer, she gave up work as a bank clerk with Coutts in London after Samuel was born.

Income bracket: £15,000-£20,000. Mortgage, with £10,000 negative equity on their house.

Have voted Tory in the past but definitely wavering now. Would have to be a very good Budget to persuade them. Both non-smokers and moderate drinkers.

Budget hopes: The Belsleys have been married eight years and feel they are getting worse off every year. They manage to pay their mortgage only with help from Matthew's mother.

Their main fear is lowering of income tax rates. "It achieves nothing for people in our income bracket and ultimately affects inflation and mortgage rates, which then go up. We don't want to see any concession to higher earners who can afford to have their pockets hit a bit more."

They also wanted to see

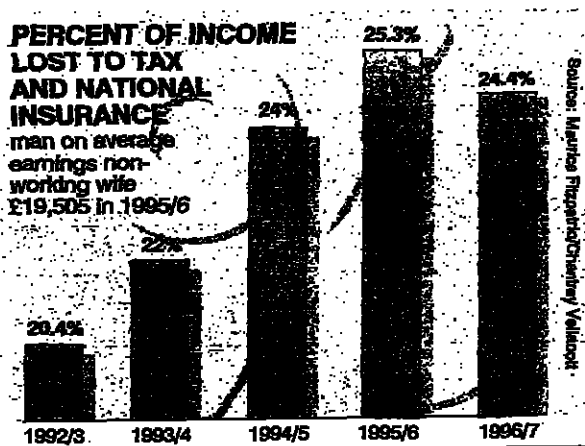
child benefit increased, and Carol was particularly worried that local government spending would be reduced. "This would affect everyone locally—it would inevitably lead to an increase in council tax and a decline in borough services."

They wanted VAT taken off fuel and heavy taxation on leaded petrol while unleaded is made a lot cheaper.

Budget reaction: "Depressing and blinkered. They did what we expected on tax, and it seems their obsession with the 20p basic rate is blinding them to real issues. They have done nothing for homeowners and people in our income bracket."

"I think the upping to £16,000 of the savings threshold for the elderly in care is a positive step but my main thought was that it was all very well to encourage saving but what from? From the few pennies saved on income tax?"

"I feel they are giving with one hand but taking away with another."



Two steps back, one step forward

DESPITE the promise of a few more pounds in our pockets, most of us will still be worse off next year than we would have been if tax, National Insurance and mortgage interest relief had held at their 1992-93 levels (Karen Zagor writes). This does not include the extra amounts most people are paying for fuel and road tax.

A family of four living on an average man's salary of £19,506 will see 24.4 per cent of next year's gross earnings disappear into tax and National Insurance contributions, according to calculations by Maurice Fitzpatrick, senior accountant at Chantrey Vellacott. This is an improvement from the 1995-96 tax year, when the family will pay 25.3 per cent, but is not as attractive as four years ago, when the family would have lost only 20.4 per cent of gross earnings to tax and National Insurance.

Single parents on average adult earnings have been particularly hard hit. Next year taxes and National Insurance contributions will ease to 23.3 per cent of gross earnings from 24.2 per cent on gross earnings of £17,536. But in the 1992-93 tax year, the same single parent would have paid only 18.8 per cent.

Higher earners have seen little change in the proportion of their earnings lost to the Government. A man earning £195,060 will pay 38.1 per cent in tax and National Insurance this year. Next year the proportion will ease to 37.9 per cent. This is little changed from the 1992-93 tax and National Insurance contribution levels of 37.3 per cent.

Only pensioners are better off. A couple with pension income of £15,000 will pay 5.4 per cent of that in tax and National Insurance this year. Next year the amount will drop to 4.8 per cent. Both figures are less than the 6 per cent paid in 1992-93.

MARRIED COUPLE, BOTH WORKING, ONE CHILD											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	12,000	8,000	12,000	8,000	15,000	10,000	15,000	20,000	15,000	20,000	15,000
Personal allowance	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765
Taxable income	8,235	4,235	8,235	4,235	11,235	6,235	11,235	16,235	11,235	16,235	11,235
MCA relief	269	0	269	0	269	0	269	0	269	0	269
Tax thereon	1,820	880	1,820	880	2,540	1,340	2,709	4,469	2,540	4,469	2,709
NI contributions	946	546	946	546	1,246	746	1,259	759	1,246	759	1,259
Child benefit	562	562	562	562	562	562	562	562	562	562	562
NET INCOME	9,503	7,186	9,503	7,186	11,483	8,476	11,290	8,322	14,783	11,776	14,540
JOINT NET INCOME	18,506	14,372	18,506	14,372	22,966	16,952	22,580	16,644	29,566	23,542	29,080
Tax (reduction)/increase	(5.57%)	(£275)	(5.57%)	(£275)	(4.57%)	(£325)	(4.50%)	(£425)	(5.22%)	(£555)	(5.22%)

MARRIED COUPLE, NON-WORKING SPOUSE, TWO CHILDREN											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	40,000	20,000	40,000	20,000	60,000	40,000	60,000	80,000	60,000	100,000	80,000
Personal allowance	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765
Taxable income	36,235	16,235	36,235	16,235	56,235	36,235	56,235	76,235	56,235	96,235	76,235
MCA relief	269	0	269	0	269	0	269	0	269	0	269
Tax thereon	10,258	3,740	10,258	3,740	18,258	10,785	18,258	28,785	18,258	34,785	28,785
NI contributions	2,112	1,746	2,047	1,759	2,112	2,047	2,112	2,047	2,112	2,047	2,047
Child benefit	562	562	562	562	562	562	562	562	562	562	562
NET INCOME	27,899	15,076	27,426	14,822	39,899	28,192	39,426	27,708	51,899	40,192	51,426
JOINT NET INCOME	55,395	30,152	54,852	29,644	79,395	56,384	78,852	55,416	103,395	80,384	102,852
Tax (reduction)/increase	(3.85%)	(£705)	(3.85%)	(£705)	(2.85%)	(£935)	(2.85%)	(£935)	(1.85%)	(£1,134)	(1.85%)

MARRIED COUPLE, 65-74											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
INCOME (PENSIONS)	8,112	1,888	8,112	1,888	13,112	1,888	13,112	1,888	18,112	1,888	18,112
Personal allowance	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910
Taxable income	3,202	0	3,202	0	8,202	0	8,202	0	13,202	0	13,202
MCA relief	467	0	467	0	467	0	467	0	467	0	467
Tax thereon	640	0	721	0	1,812	0	1,971	0	3,287	0	3,447
NET INCOME	7,472	1,888	7,391	1,888	11,299	1,888	11,632	1,888	14,825	1,888	14,665
JOINT NET INCOME	14,944	3,776	14,782	3,776	22,501	3,776	23,264	3,776	29,650	3,776	29,440
Tax (reduction)/increase	(36.40%)	(£39)	(36.40%)	(£39)	(11.63%)	(£177)	(7.48%)	(£226)	(6.04%)	(£271)	(6.04%)

MARRIED COUPLE, OVER 75											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
INCOME (PENSIONS)	8,112	1,888	8,112	1,888	13,112	1,888	13,112	1,888	18,112	1,888	18,112
Personal allowance	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910
Taxable income	3,202	0	3,202	0	8,202	0	8,202	0	13,202	0	13,202
MCA relief	467	0	467	0	467	0	467	0	467	0	467
Tax thereon	640	0	721	0	1,812	0	1,971	0	3,287	0	3,447
NET INCOME	7,472	1,888	7,391	1,888	11,299	1,888	11,632	1,888	14,825	1,888	14,665
JOINT NET INCOME	14,944	3,776	14,782	3,776	22,501	3,776	23,264	3,776	29,650	3,776	29,440
Tax (reduction)/increase	(37.50%)	(£39)	(37.50%)	(£39)	(20.44%)	(£148)	(12.06%)	(£178)	(7.50%)	(£226)	(7.50%)

SINGLE PERSON, NO CHILDREN											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	10,000	10,000	15,000	15,000	20,000	20,000	20,000	10,000	10,000	15,000	15,000
Personal allowance	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765
Taxable income	6,235	6,235	11,235	11,235	16,235	16,235	16,235	6,235	6,235	11,235	11,235
Tax thereon	1,340	1,340	2,540	2,709	3,740	3,909	3,909	1,340	1,340	2,540	2,709
NI contributions	746	746	1,246	1,259	1,746	1,759	1,759	746	746	1,246	1,259
NET INCOME	7,914	7,782	11,214	11,032	14,514	14,282	14,282	7,914	7,782	11,214	11,032
Tax (reduction)/increase	(5.95%)	(£132)	(4.59%)	(£182)	(4.08%)	(£222)	(4.08%)	(£222)	(5.95%)	(£132)	(5.95%)

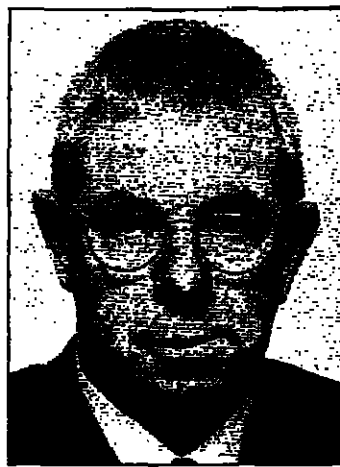
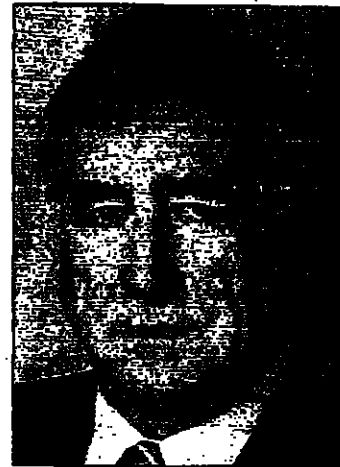
SINGLE PERSON, TWO CHILDREN											
1996/97		1995/96		1996/97		1995/96		1996/97		1995/96	
Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife	Husband	Wife
GROSS ANNUAL INCOME	30,000	30,000	40,000	40,000	60,000	60,000	60,000	30,000	30,000	40,000	40,000
Personal allowance	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765	3,765
Taxable income	26,235	26,235	36,235	36,235	56,235	56,235	56,235	26,235	26,235	36,235	36,235
Tax thereon	8,235	8,235	15,235	15,235	25,235	25,235	25,235	8,235	8,235	15,235	15,235
NI contributions	2,112	2,047	2,112	2,047	2,112	2,047	2,112	2,112	2,047	2,112	2,047
NET INCOME	22,501	21,168	30,633	30,168	38,508	38,168	38,168	22,501	21,168	30,633	30,168
Tax (reduction)/increase	(8.23%)	(£662)	(3.11%)	(£462)	(2.22%)	(£462)	(2.22%)	(£462)	(8.23%)	(£662)	(8.23%)

Child benefit									
	1,020	980	1,020	980	1,020	980			
NET INCOME	22,919	22,406	31,919	31,406	40,919	40,406			
Tax (reduction)/increase	(5.51%)	(6.47%)	(3.24%)	(4.73%)	(2.30%)	(4.73%)			

The following assumptions have been made: ¹ Retired married wives receive state pension only. ² Calculations rounded to nearest pound. ³ Class 1 National Insurance contributions (not contracted out). ⁴ MCA Married couples allowance. ⁵ ARA Additional Personal Allowance. ⁶ Income tax rates and allowances for the 1996/97 tax year.

BUDGET 95

Business verdict: a penny off basic rate income tax will encourage consumer spending

PETER JARVIS
Chief Executive, WhitbreadARCHIE NORMAN
Chief Executive, AsdaMICHAEL HOFFMAN
Chief Executive, Thames WaterHILDE BARTLETT
MD, Silicon Valley GroupSTANLEY KALMS
Chairman, Dixons GroupCLAIRE MAKIN
Chief Executive, RICSPETER BIRCH
Chief Executive, Abbey National

The decrease in the basic rate of income tax/personal allowance is good news for retail businesses as well as for consumers. Although there has been a gradual rise in overall consumer spending in our pubs, restaurants and leisure concepts, our customers, quite rightly, have been "deal hunting".

The Chancellor's tax reductions should not only stimulate consumer spending but also improve UK retailers' confidence and help to underpin the vigorous expansion of our own business.

We're pleased that the Chancellor has frozen duty but he has done little to help the thousands of regional and independently run pubs and off-licences whose livelihoods are at risk as a result of the cheap imported beer.

Seventy thousand colleagues at Asda believe that the Chancellor has hit the bull's eye with this Budget. The tax relief on share options up to £20,000 in face value will enable us to continue developing our pioneering colleague share-ownership plan.

This is the right move for a Government committed to wider share ownership. It will benefit modern business enterprises committed to involving ordinary working people in the benefit of business success.

The reductions in income tax and taxes on savings are carefully gauged, sustainable and good for continued business recovery. This is a competent budget which has the smack of a Chancellor with a steady sense of purpose.

I am obviously pleased with the Chancellor's decision to reject calls for a windfall tax on the privatised utilities. He was correct to say that such a tax would damage investment and customer service and be paid for by shareholders.

I am glad that the PSBR will be kept under control and that the tax cuts announced are to be financed by savings rather than further government borrowings. The measures aimed at improving matters for the low paid and the elderly will be especially welcome.

Overall, I thought it was a good, disciplined Budget which will help to maintain the economic recovery. British business should welcome the overall package of measures. We will have to wait and see the effect on interest rates.

The Chancellor's decision to raise tax thresholds and reduce basic rate tax plus National Insurance Contributions will make some impact, although we could have done with more. It will put some extra spending money into everybody's pocket and no doubt most of it will be spent in the High Street. All this will stimulate the economy and create jobs, but what is more important, it will improve the country's confidence.

It is disappointing that the Chancellor did not reduce the interest rates on borrowing since this would have had the biggest benefit to business, particularly for expansion. In fact, it is disappointing that nothing was in the Budget to encourage companies to invest in training or retraining their staff.

Kenneth Clarke has been fiscally responsible, socially aware and provided a wide range of tax cuts. The Public Sector Borrowing Requirement has been held in check; education has rightly been focused on as a major priority; and the tangible benefits such as long-term care, share options, tax reduction on savings, are commendable.

The consumer is unlikely to go on a spending spree based on the tax cuts but, with lower taxation on earnings and savings and subdued inflation, we should continue to see a steady improvement in consumer confidence.

This budget may not at first sparkle, but it will be enjoyed in those wiser circles after it has been digested. Conservatives will take great heart.

The Chancellor has resisted the temptation to go for a short-term vote-winning Budget. This will be good for long-term stability and good for business, but there is little in it to cheer a construction industry in the middle of a double-dip recession. The only consolation is that the expected cuts in capital spending were not as severe as predicted.

The retail property sector should grow more confident if the extra money put into consumers' pockets is spent in the high street.

On the housing market, we are pleased that there has been no attempt at a quick fix. We have argued for some time that special help for housing will not work because the problem is not one of affordability but of confidence.

This Budget shows the Chancellor continuing the policy of securing sustainable economic growth in a low-inflation environment. The tax cuts and band increases will be widely welcomed, and putting money back into people's pockets should increase consumer confidence. By being prudent, the Budget has also left the way open for a base-rate cut in the months ahead.

Less basic rate tax to pay on interest on savings is good news for many of our savers. Long-term care insurance is also an area of interest. We look forward to seeing more details on the proposals.

As a large employer and a supplier of SAYE share schemes to other employers, we welcome the improvements and additions to the range of employee share schemes.

Taste of cream for 'lean cats'

BY ROBERT MILLER

MILLIONS more employees, many of them lower-paid or part-time workers, are to be encouraged further to participate in recognised company share-option and profit-sharing schemes under rules announced yesterday. For good measure, the Chancellor introduced a tax relief for company share-option plans backdated to July 17.

But the Chancellor indicated that there is no place in these schemes for highly paid "fat-cat" directors and other senior company executives to use such plans to make huge personal profits and take advantage of special income tax reliefs. In his Budget speech, he said: "In July, I withdrew

the tax privileges attaching to some so-called executive share options. The overwhelming majority of companies used these options for their more senior employees. I approved of such options so long as they were linked to genuine performance but I did not see any justification for maintaining their tax privileges." It is thought that the Chancellor was referring in particular to top executives in the privatised utility companies.

To encourage more employees to take part in the existing save-as-you-earn schemes, in which one million already participate, the Chancellor proposes to introduce a three-year savings contract in addition to the five and seven-year

contracts in place. He also halved to £5 the minimum monthly amount that may be saved. It will be possible for schemes to be run in conjunction with qualifying employee share-ownership trusts.

On profit sharing schemes, the period during which the company's shares must be held in trust, if an employee is to receive them tax-free, is to be reduced from five to three years. The new relief on company share option plans, backdated to July 17 when the Chancellor made his famous dawn raid to head off executives cashing in after publication of the Greenbury report, allows companies to grant

individual options worth up to £20,000. If the options are granted under an Inland Revenue-approved scheme, there will be no income tax to pay either when the options are granted or exercised.

Bill Cohen, senior manager at Arthur Andersen, the accountant, said: "The Budget announcements may increase significantly the number of employees participating in share-save and profit-sharing schemes and are a boost for businesses as well. The new rules are not going to help fat cats at all."

The Inland Revenue said the new relief would help to reward employees in the middle and lower-income ranges.

Midland Bank plc is regulated by the Personal Investment Authority and only advises on its own life assurance, pensions and unit trusts. References to taxation are based on our understanding of current legislation and tax practice. Future changes in legislation, tax levels and practice could affect the details quoted. AW/31



Are you expecting the State to pay for your child's university education?

At present, the maximum grant for students going to university is £1,885 per year. According to Personal Finance magazine, this is still £2,000 short of what the average student needs. That leaves a shortfall of £6,000 over a three year course, even if the student gets a maximum grant - and grants are due to be cut by a further 10% in 1997. All of this puts more and more pressure on parents to finance their children's further education. In response, Midland has developed a

Children's Investment Plan, which you can use to generate a regular income for your child or to produce a lump sum. Essentially a unit trust-linked investment, it has several advantages. It not only has the potential to outperform a deposit account, but is also far more tax-efficient because it can take advantage of your child's £3,525 annual income tax allowance - a considerable benefit. Please note: your investment can go down as well as up and may fall below the amount originally invested.

The Listening Bank

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Incentive to invest

There are new incentives for institutional investors to put money into private rented housing through housing investment trusts. The trusts will pay the new lower small company rate of corporation tax of 24 per cent instead of the normal rate of 33 per cent. They will also be exempt from capital gains tax. The trusts are seen as a way of encouraging investment in the private rented sector without compelling the investors themselves to own and manage property.

Science deal

Science spending gets a modest boost of £12 million, but will see a slow decline in real terms over the next few years. This year's spending will be £1,312 million.

Ian Lang, President of the Board of Trade, said: "I have maintained the Government's commitment to basic science and research, recognising its contribution to long-term wealth creation."

Charity boost

The Chancellor helped charities by increasing the donations that employees can make under the payroll scheme from £900 to £1,200. The scheme simplifies giving for employees by enabling donations to be made before tax is deducted, rather than tax having to be reclaimed by a charity. Last year about £16 million was given by this method in about 7,500 schemes, earning tax relief of £4 million.

Treasury forces Young to scrap road schemes

BY JONATHAN PRYNN, TRANSPORT CORRESPONDENT

A THIRD of the Government's roads programme, 77 schemes for bypasses, improvements and widening, was abandoned yesterday.

The Treasury-imposed cuts were condemned by the roads lobby as "highway robbery" that would lead to crippling costs for industry as road conditions worsened.

Motoring groups also said they were dismayed by the "frightful" cuts. "Yet again, the motorist is paying more and receiving less," said Richard Woods, for the RAC.

The five privately built road schemes worth £500 million announced by the Chancellor could not fill the gap left by the £4 billion reduction in the central government roads budget, they said. Privately financed projects are not expected to start before 1997-98.

The active road programme, schemes that have won Treasury funding, was cut by 33 per cent from £12.3 billion to £8.2 billion, with 42 per cent of the schemes withdrawn.

Among casualties were the Witney bypass in Oxfordshire, the York-Malton bypass improvement in North Yorkshire, the Wilmington bypass in Devon and stage-two widening of the M5 between junctions 17 and 21 in Avon.

The scale of the cuts astonished even the most pessimistic observers. Some of the biggest schemes on the motorway and trunk-road network, including 22 long-awaited by-

passes, have been effectively dropped. Plans to widen motorways beyond four lanes on the M25 and the M4 have also been abandoned, with the exception of one short widening of the M25, and the M62 relief road near Manchester has been scrapped.

The cuts mark a massive U-turn in government policy since 1989 when John MacGregor, who was then Transport Secretary, announced hundreds of road-building projects worth a total of £20 billion.

The latest cuts mean that only nine schemes will be started over the next financial years, the widening of the M66, two schemes on the M11 in northeast London, two on the A13 in Essex, the A34 Newbury by-pass and two widening schemes on the M40 in west London.

In a statement, Sir George Young, the Transport Secretary, said the revised road programme reflected rising construction prices, the tough public expenditure round and the need to protect the environment. "Sometimes that means cutting out of the programme schemes that clearly have not attracted the necessary level of public support and acceptance," he said.

Motoring organisations called for an independent parliamentary inquiry into the cuts. Jeremy Rose, chairman of the RAC, said: "The consequences for the environment and road safety are frightful.

Few things are more environmentally friendly than a by-pass to take noisy and polluting traffic out of populated areas with greatly increased road safety for pedestrians."

Simon Dwyer, the director-general of the AA, said: "Like it or not, the UK's economy remains road-based. Replacing the national roads programme with a few privately financed road schemes will not fill the gap - it simply defers big Treasury bills until after the general election."

However, environmental groups praised the outcome of the Treasury's toughest review of roads spending. "I am absolutely delighted at the news," said Charles Secrett, executive director of Friends of the Earth. "Finally, the Government has begun to understand the importance of looking after the environment and cutting back on pollution by controlling the growth in traffic. They have accepted the argument that building new roads is not the answer to Britain's very real congestion problems."

Overall, the Transport Department took one of the deepest cuts in Whitehall. Its budget will fall from £5.9 billion to £4 billion at 1994 prices over the next five years. Support for the railways falls from £1.5 billion to £1 billion as privatisation unfolds. London Transport's subsidy falls from £780 million in the current year to £400 million by 1999.

Modest measures provoke call from businesses for more help

BY ROSS TIEMAN, INDUSTRIAL CORRESPONDENT

A PACKAGE of modest but carefully aimed measures to help small business was unveiled by the Chancellor in the Budget.

From next April, small companies will be sheltered from inheritance tax, and looming increases in business rates for almost a million businesses will be capped.

Like employees, small firms will benefit from a cut in the basic rate of income tax and corporation tax from 25 per cent to 24 per cent.

The main rate of employers' National Insurance contributions will also be trimmed by 0.2 percentage points from April, reducing costs to companies by £500 million a year. Leaders of Britain's three million small businesses were pleased with the Chancellor's commitment to low inflation, but disappointed that more was not done to promote investment.

The Forum of Private Business called the Budget "prudent and subdued", contrasting it with broader measures introduced by the French Gov-

ernment last week to help the small business sector there.

Tom Preece, financial affairs chairman of the Federation of Small Businesses, said that the changes were inadequate. "We can't see any encouragement for growth," he said.

But the federation was pleased with a change in inheritance tax, which will put shareholdings in unquoted companies outside the tax net from next April, helping to keep small businesses intact when their owners die.

Also welcome was a change in the transitional relief from the Uniform Business Rate. The Treasury said that from next year, the maximum increase in UBR, after inflation, would be cut from 7.5 per cent to 5 per cent.

Mr Clarke also announced that the qualifying age for retirement relief on capital gains tax would be reduced from 55 to 50, enabling entrepreneurs to cash in on their success earlier.

The VAT registration threshold will be increased by

£1,000 to £47,000. The rate of Class 4 National Insurance contributions paid by the self-employed will be reduced from 7.3 per cent to 6 per cent, and the 50 per cent tax relief for these contributions will be withdrawn from 6 April next year.

The Treasury said the impact of these changes would be "broadly neutral", but the measures would simplify self-assessment tax returns for the self-employed.

However, Mr Preece said: "We are extremely disappointed. There is very little in the Budget for the small business sector."

Even Sir Michael Grylls, the Conservative MP for North West Surrey who chairs the Small Business Bureau, admitted he was disappointed at Mr Clarke's failure to make conditions easier for small firms to raise funds. He hoped changes might follow the review, now under way, of the Government's Small Firms Loan Guarantee Scheme, however, and applauded the commitment to non-inflation-

ary growth.

Business leaders were irritated and gloomy, however, that little had been done to address concerns about weak investment and unequal rates of tax.

The federation had campaigned for businesses to be allowed to write off investments in plant and machinery of up to £50,000 in the first year. The Confederation of British Industry had called for write-offs of up to £200,000 to promote investment. But the Chancellor left in place the rule that says companies can only offset 25 per cent of their investments against tax.

The federation was also disappointed at the Chancellor's failure to end the "anomaly" under which self-employed people pay 40 per cent tax once their "profit" exceeds £29,000 a year, while businesses pay only 24 per cent tax on their first £300,000 of profits.

And the Forum of Private Business complained that the longstanding problem of late payment remained unacknowledged.

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WEEK VERDICT

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BUDGET 95

13

Extra levy imposed on strong cider Two cheers from drinks sector to spirit of duty cut

BY ROBIN YOUNG

THE Scotch whisky industry yesterday cheered the Chancellor for being the first in 100 years to lower the duty on spirits. The reduction of 4 per cent is equivalent to 27p off the price of a bottle of whisky.

Mr Clarke clutched what was taken to be a tumbler of Scotch and water as he delivered his speech, and took a meaningful swig after announcing the duty reduction with a broad grin.

Hugh Morrison, director-general of the Scotch Whisky Association, said: "This is extremely good news. The Chancellor has recognised the amount of damage inflicted on the industry by successive governments, which have consistently discriminated against spirits. We hope that this is the first step in a long-term programme."

In fact, though, the reduction, the first since 1895, does little more than remove the Chancellor's own surcharge of 20p imposed last year.

The industry hopes that the reversal in policy, which was clearly linked to the difficulties that Scotch has been facing in export markets, will send a clear signal to governments abroad that Britain is lowering its own rates of duty, which have been used as an excuse for maintaining high rates of duty against exports to important markets such as South America and Japan.

The industry's long-term aim is equivalence of duty according to alcoholic strength, ending the disadvantage whisky has suffered against wine. The average tax on a bottle of whisky is about 70 per cent, while only 30 per cent is levied on a bottle of wine.

The rest of the drinks industry was left to raise a glass to the Chancellor yesterday. While grateful for a freeze on duties on wine and beer, reductions had been hoped for. The present different of up to 42p a pint tax on beer in Britain,

compared with less than a seventh of that amount in France, is said to threaten 100,000 jobs and the closure of 10,000 pubs in coming years.

An 8p a pint increase on duty on superstrength ciders (those more than 7.5 per cent proof), a booming sector in the drinks trade particularly popular with young drinkers, will end from next October a tax advantage that ciders have enjoyed over beers.

The market has seen a proliferation of successful brands, such as K. Max, Brody and Diamond White, with strengths from 7.5 to 8.5 per cent proof. In future they will compete on equal terms with superstrength lagers.

John Rudgard, chief executive of Bulmers and chairman of the National Association of

The tax loss is £453 million a year, and the cost to the trade £1.3 billion.

The Brewers and Licensed Retailers Association said: "At least there is some recognition of the problem of cross-border shopping. No longer can any Chancellor instinctively turn to an increase in the beer duty to raise revenue. But freezes are no answer to the problem. The effect of the beer duty differential between the UK and France will not go away. As long as it exists, jobs will go, community pubs will close, and crime and fraud will be growth areas. There is no alternative to a phased reduction in UK beer duty to approximate to that in France."

Stuart Neame, vice-chairman of Shepherd Neame, the Kent brewer, said he was "very disappointed". He said: "We did not expect a huge drop in taxation rates, just a sign that he backs up his expressions of concern for our industry with some positive action. Last year, he put a penny on the rates and he has not even taken that off. What is being smuggled into Britain is not Scotch whisky in enormous quantities, it is beer. The present differentials are a smuggler's charter."

Nader Haghighi, managing director of Greenalls Cellars, the third-largest off-licence company in the UK, with nearly 500 shops, said: "Three cheers for recognising the serious impact of cross-border smuggling and not putting up taxes. It is good news for customers for Christmas, but the sting in the tail is that the trade has already paid duty on the whisky stock for Christmas and will have to stand the cost of knocking 27p off a bottle."

Alcohol Concern, the pressure group, said the move was likely to encourage an increase in alcoholism and drink-related crime.

ALCOHOL

Cider Makers, said he could see no logic for a two-tier rate of duty for cider. "Cider has been paying 55 per cent of the excise duty paid on beer," he said, "but it is much more expensive to make because apple juice costs more than wort from malted barley. By the time VAT is added, cider has typically paid 97 per cent of the tax payable on beer."

Mr Rudgard said the new rate would pose a special threat to small cider makers.

David Grant, chairman of the Wine and Spirits Association, said: "The Chancellor admitted that cross-border shopping and smuggling is a problem, but as far as wine and beer are concerned he has done nothing about it. The duty reduction on spirits was given for a different reason, and, in terms of cross-border shopping, wine is a much bigger problem. More than 11 per cent of all the wine consumed in Britain is now being brought in from countries with lower rates of duty.



Caroline Wigmore saw it as a neutral Budget with a few small incentives

Praise for cut in savings tax

VOTER VERDICT

Teacher: Caroline Wigmore, 42, teaches at a junior school in north Croydon. Unmarried, no children, joint homeowner. Earns £20,000-25,000. Floating voter.

Budget hopes: her main fear was tax cuts. "It seems immoral when the state of the nation's services is so low, especially when you are working in the public sector, and seeing it close at hand. There is no need for higher taxation but the surplus money that would be used for tax cuts should be ploughed into services."

She wanted education to be a priority. "So many children are affected with ever-increasing class sizes and in Croydon many parents are contributing their own money to schools to help

low earners a chance to get on the ladder.

"However, the increase on petrol is abominable. All prices will be affected by an increase in fuel and as they have committed nothing to public transport it will affect the masses who will continue to plough onto the roads."

"I'm annoyed by the increase in road tax. People who use the road very little bear the same financial burden as heavy-duty travellers."

Miss Wigmore gave a "cautious welcome" to increased education funding. "But I can't see that overall it will do much to decrease class sizes. They would have done better to plough the money from the income tax reductions into education."

Fears of rise in tobacco smuggling

BY ROBIN YOUNG

THE Budget held few surprises for the tobacco industry or smokers since the Chancellor has been pledged since 1993 to increasing tax on tobacco in real terms by 3 per cent every year.

He marginally exceeded that target by putting an extra 15p on a packet of 20 cigarettes, 6p on a pack of small cigars and 8p on a 25g pack of pipe tobacco.

In exempting handrolling tobacco from the increase in tobacco duty, the Chancellor recognised that this product has become by far the most profitable for smugglers. More than half the handrolling tobacco sold in Britain is now brought in from the Continent.

It has been calculated that smugglers can make twice the profit on 15 kilograms of handrolling tobacco, taking up about 2 per cent of space in a small van, than they could make on a van fully loaded with beer.

The tax is already three times higher in Britain than in France, Belgium or Germany. A 250g pack costing £7.39 in Britain can be bought for £1.99 in Belgium.

Drum, now one of the most popular brands in Britain, is not even officially for sale in the UK.

The effect of the increase of 15p on a packet of 20 cigarettes will raise the price of a packet in Britain to £2.89, compared with a price of £1.48 in Belgium.

The Tobacco Manufacturers' Association said that, while the Chancellor had acted to stem the tide in smuggling handrolling tobacco, criminals could now be expected to move into large-scale cigarette smuggling.

"UK cigarette duties are already among the highest in Europe."

"Another punitive increase is the last thing either smokers or the tobacco trade want or need," the association spokesman said.

Paul Mason, spokesman for the Tobacco Alliance, an organisation of independent tobacco retailers, said: "This is a

sad day. The Chancellor has simply increased the incentive for tobacco smuggling."

Mr Mason claimed retailers were already losing an average of nearly £23,000 a year from tobacco smuggling and cross-Channel shopping.

Ian Birks of Gallaher, the tobacco company, said: "The Chancellor acknowledged the effect of high taxes in encouraging smuggling by freezing the duty on handrolling tobacco."

"The large increase on cigarettes will, we fear, only mean that that business will go the same way. The increase is more than the Chancellor's target of inflation plus 3 per cent."

He added: "Sky-high taxation has already forced half the UK handrolling tobacco business into the hands of smugglers."

"We fear that the increase on cigarettes and tobacco will only encourage more people to buy from the Continent where

SMOKING

taxes are so much lower."

Amanda Sandford of Action on Smoking and Health, the pressure group, said: "We are very pleased that the Chancellor emphasised the health reasons for increasing tobacco tax again."

"We believe that in the long term this policy will save 2,500 lives a year from the reduction in tobacco consumption that will result."

"This is a very good day for public health, and sends a strong message to our European partners that increasing tobacco taxes can raise revenue and create jobs, by diverting spending to the leisure industry and other consumer goods."

A spokeswoman for the Fair Cigarette Tax Campaign said: "Once again smokers have been singled out as an easy target."

The spokeswoman added: "The 15p rise means that the tax on an average packet of cigarettes costing £2.89 will be £2.26, or 78 per cent."

Prudent measures should have brought back disaffected Conservative voters

VOTER VERDICT

Independent businessman: Brian Bament, 57, runs Merit Travel and Tours, his own small travel agency. He earns £30-£40,000 a year and will probably vote Tory but is somewhat disillusioned with John Major. He is married to Lynn, 47, and they have two children, Deborah, 20, and Brian, 14. Mr Bament is a non-smoker and a moderate drinker.

Budget hopes: The Government had got to do something to boost the economy, he said.

Many people had yet to experience the so-called "feel-good" factor.

"There is definitely no feeling of a pick-up after the recession," he said.

"I think the housing market needs some kind of big kick-start because that affects the whole economy."

"Income tax cuts should be aimed more at the lower and middle-earners. The higher-earners have had quite a good crack at the whip under this Government."

Budget reaction: "I thought it was really quite reasoned; quite prudent. I thought the reminder of the 20th anniversary of the year when inflation was at 26 per cent was quite appropriate."

"I thought the inducement of share options to lower and middle management was well done and I thought the Budget was particularly interesting for retired people with assets, if you look at the pension bond reduction and also the inheritance tax and the widening of the 20 per cent band on income tax," he said.

Mr Bament added: "In a way, I thought the income tax was quite well done, although perhaps it was not such a headliner as one might have expected."

"I think he will have another bite at it next year. I was not disappointed personally by the amount he cut income tax."

"What was very good for small businessmen like myself was the capping of the uniform business rate and



Brian Bament was impressed by the reduced cap on uniform business rate rises

also the capital gains and inheritance tax."

Mr Bament said that although he had been hoping for a change to mortgage relief, he accepted that the Chancellor had done what he thought best.

"It appeared to me that the

Chancellor had seriously looked at a change to mortgage relief and had decided that there was not an awful lot to be done.

"I am happy to take his advice."

Mr Bament's strong support for the Conservatives

was unaffected by the Budget. "I think this Budget will concentrate the minds of Conservative voters who have been temporarily disaffected."

"I think Mr Major has got some people back on board," he said.

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BUDGET 95

Savings threshold doubled to ease nursing home bills

By Jill Sherman and Catherine Milton

KENNETH CLARKE bowed to pressure yesterday for action to help elderly people to pay for the cost of their care in nursing homes. He announced that the savings threshold for state help with nursing and residential homes would double from the current £8,000 to £16,000. The level of assets below which people have to pay no contribution will rise from £3,000 to £10,000.

The changes, which will help 47,000 people in the first year and cost about £50 million, will take place in April, or sooner if practicable. The

Chancellor also announced tax exemptions from the benefits of insurance policies to help with long-term care.

He is to consult on further measures to help those people who have to sell their homes to cover the cost of nursing fees. Mr Clarke said he was considering a number of proposals to encourage people to save for their old age.

One option is an American-style "partnership scheme" where those who plan ahead to meet a proportion of long-term care costs will be able to keep more of their savings over £16,000. Another possi-

bility would be to change the tax rules so those on occupational pension schemes can take a variable pension. This would allow a larger pension in later years, when the elderly are more likely to need help with care costs, in exchange for a smaller pension earlier on.

The Government has come under increasing pressure in recent months to produce measures to help to prevent pensioners having to spend all their savings on care. The Prime Minister ordered the Downing Street Policy Unit and Stephen Dorrell, the Health Secretary, to carry out a review of the issue.

The schemes announced yesterday will do little to help those who have higher savings and further proposals are expected. About 150,000 to 200,000 people are said to pay the full cost of their care, often more than £350 a week.

DSS figures show that 500,000 people are now in nursing homes or residential accommodation, of whom about 300,000 have some state help. At present, those who have savings over £8,000 are disqualified from assistance. Those with between £3,000 and £8,000 are given some help, while those with assets under £3,000 pay no contribution.

From next April or earlier all those with assets between £10,000 and £16,000 will qualify for some help, while those with less than £3,000 will make no contribution.

The measures announced yesterday received a mixed reaction. Sally Green, Director General of Age Concern England, welcomed the higher thresholds at which people start contributing for their care. "Older people who are worried about paying for care will be delighted to hear the proposals."

But John Belcher, chief executive of Anchor, which provides care and housing for older people, said: "Raising the threshold may simply defuse some of the current political heat without providing a long-term solution."

£100m blow hits public sector

By Ian Murray, Community Correspondent

THE public housing sector has been hard hit, with grants for new starts cut by £100 million and local authority capital spending pegged back by £187 million.

Reductions in housing benefit to the under-25s are also certain to put an added strain on cheap, private rented accommodation, which is widely exploited by unscrupulous landlords. Although council rents are being frozen, this means that the amount of money available to maintain these properties will fall and there will be an inevitable decline in services.

The National Federation of Housing Associations, whose members are the only ones building social housing, calculates that its £100 million cut in promised grants means that it will only be able to build 41,000 new homes next year. That compares with the Government's lowest estimate of a need for 60,000 new homes and means that there is likely to be a shortfall of nearly 400,000 units by the turn of the century. The

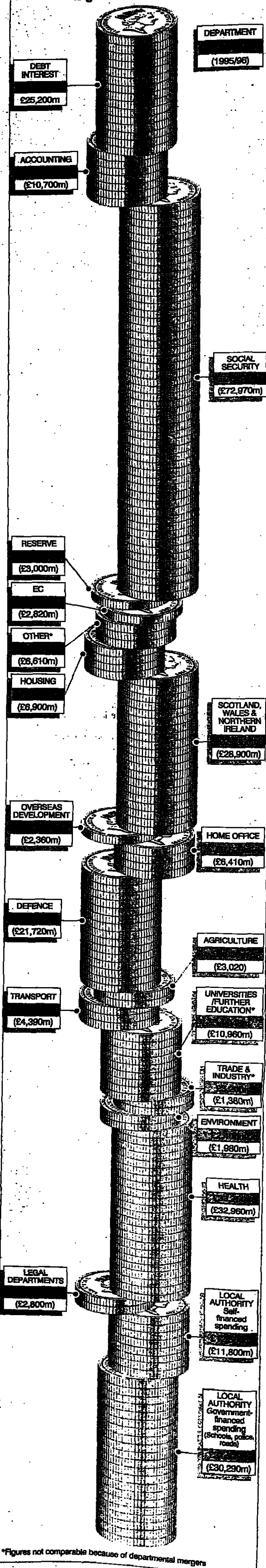
Government is promising £300 million over the next three years — £40 million in the year ahead — to set up a new housing challenge fund to improve council estates.

The idea is to speed up their transfer to housing associations or private landlords. Another move to bring private cash into the social housing sector will be tax incentives for institutions and private

investors, which will make it possible for trusts to be set up to acquire residential property for letting.

Nearly £250 million is to be set aside for the single regeneration budget over the next two years. Another £50 million is to be made available to extend the rough sleepers scheme nationwide.

Nick Raynsford, the Shadow Housing Minister, said: "This is all incredibly bad news for the homeless and those in poor accommodation."

TOTAL PUBLIC SPENDING 1996-7
Public spending divided up according to government department

Ruby and Dennis Ward believe the state pension is too low

Savings play fails to impress

The pensioners:

Dennis Ward, 70, and his wife Ruby, 65, are retired Salvation Army officers, living near Croydon. They have a married son, a daughter and five grandchildren. They live off a state pension and a small occupational pension. For the past 20 years they have voted Conservative, but with increased reservations the last time. They were looking to the Budget to restore their faith in the Tory party.

Budget hopes:

Mr Ward said: "We have both become deeply disillusioned. Pensioners have been hard hit by policies such as VAT on fuel. The Budget should do something to alleviate the cost of heating our home." The couple believe social legislation has been aimed at the better off. "It is terribly unfair that so many pensioners suffer the trauma of having to sell their home, and use up all their savings, to pay the costs of their social care," Mr Ward said. The couple get by on their pensions but their savings are dwindling and it is harder to

VOTER VERDICT

make ends meet. "Day trips

out are a thing of the past.

We can no longer afford to

go to the theatre. This is at a time of life when

we were looking forward to a little more

enjoyment. Compared to other countries in

Western Europe, the state pension is poor. It

should be raised as a matter of urgency."

Budget verdict:

Unfavourable. Mr Ward said: "It has done

nothing to improve our life. We are

disappointed. We have only small savings so

the changes on taxation for deposits, al-

though welcome, will mean hardly anything

to us. We fear that the extra costs on fuel and

diesel will increase transport costs and feed

their way into the shops. Most pensioners we

know have only small savings or none at all.

The idea of reducing the taxation rate on

savings is good in principle but will do

nothing for us. The whole Budget smacked of

supreme confidence. The Chancellor seemed

oblivious to the great shock I think the

Conservatives are facing."

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MoD resurrects scheme to sell 60,000 homes

By Michael Evans
DEFENCE CORRESPONDENT

DEFENCE chiefs plan to sell 60,000 married quarters in England and Wales to a private institution by the second half of next year. Under a property deal included in yesterday's Budget announcement, private bidders will be offered 999-year leases on the homes. The Ministry of Defence will then take back the properties it needs on 25-year leases for Service families.

Announcing the complex proposal, James Arbuthnot, the Minister for Defence Procurement, said a number of private institutions had already shown interest in the scheme.

An attempt to sell the properties was first made two

years ago, but the original scheme fell through and MoD plans to raise £500 million through sales failed to materialise. Mr Arbuthnot said he was confident that this time the huge sale would go through, but he acknowledged that, if the offers were too low, the project would be scrapped.

Maintenance and repair of the 60,000 houses would remain a MoD responsibility, Mr Arbuthnot said. He promised that Service families would not realise the difference, once the leasehold ownership had transferred from the MoD to a private company, except that money from the sales would go towards improving the condition of the properties.

It is anticipated that the MoD will lease back only about 80 per cent of the properties. The remaining 20 per cent will be offered at freehold sale to the private sector.

Following the promise by John Major that the Armed Forces would be given a period of stability after so many defence cuts in the past five years, the cash provision for defence expenditure will remain largely as forecast over the next three years.

The defence budget will be £21.9 billion in 1996-97, £22.1 billion in 1997-98 and £22.6 billion in 1998-99. In real terms, this will mean an effective cut of 1.7 per cent in 1996-97 and a cut of 0.2 per cent in 1997-98.

However, it will then level out to an increase in the budget in 1998-99 by nearly one per cent. MoD officials said that the defence budget was therefore broadly remaining about the same over the next three years.

Michael Purdill, the Defence Secretary, said yesterday: "The Government is committed to maintaining strong, capable and properly resourced Armed Forces. This settlement enables us to do that."

Funds allow for 1,000 extra police

By Richard Ford
HOME CORRESPONDENT

A THOUSAND extra police officers will be recruited by the 43 forces in England and Wales next year after the Chancellor gave an extra £20 million to chief constables.

Spending is also to increase on dealing with immigration and asylum applications, with the Government estimating that asylum seekers will this year total 44,000.

The overall sum has risen £100 million to £6.5 billion, compared with the figure announced last year. But in real terms, the budget is set to fall £240 million in 1996-97.

In a major initiative to be unveiled in January, 2,000 post offices and high street travel agents will be able to deal with applications for full British passports. At present, applications must be made by post or at six regional passport offices. Artec, the alliance of independent travel agents, will operate the scheme through their retail outlets.



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BUDGET 95

15

Council tax bills to rise by more than inflation, road schemes curtailed and overseas aid to fall

Priority put on schools, hospitals and curbing street crime

By NICHOLAS WOOD, CHIEF POLITICAL CORRESPONDENT

EDUCATION, health and law and order are the main winners from the annual tussle with the Treasury over next year's public spending.

Gillian Shephard has secured £878 million of extra money for the nation's 26,000 schools. Stephen Dorrell has delivered the manifesto promise of a real increase in health spending and Michael Howard has the funds to pay for 5,000 extra police, 4,000 prison places and 10,000 closed circuit television cameras in city centres.

But transport, local authorities and overseas aid have had to pay for Kenneth Clarke's quest for savings to pave the way for tax cuts.

Sir George Young, the bicycling baronet, will have to swerve around yet more potholes now that his roads budget has been chopped. Responsibility for finding a slice of the cash has been handed to the private sector. Overall, he lost £190 million from his initial plans for next year.

Local authorities sheltering under John Gummer's tattered feathers will get more money for education — thanks mainly to Mrs Shephard's extraordinary bargaining tactics — but in most other areas they will again be clobbered. State finance for housing is being cut by about £900 million and council tax bills are to increase by more than inflation to help town halls to make up the shortfall.

Baroness Chalker of Wallasey, the long-serving Minister for Overseas Development, may have to spend more time at home in future. The ravages

of war and famine abroad are nothing compared to the ravages of higher taxes on the middle classes at home. Her budget is cut by £130 million.

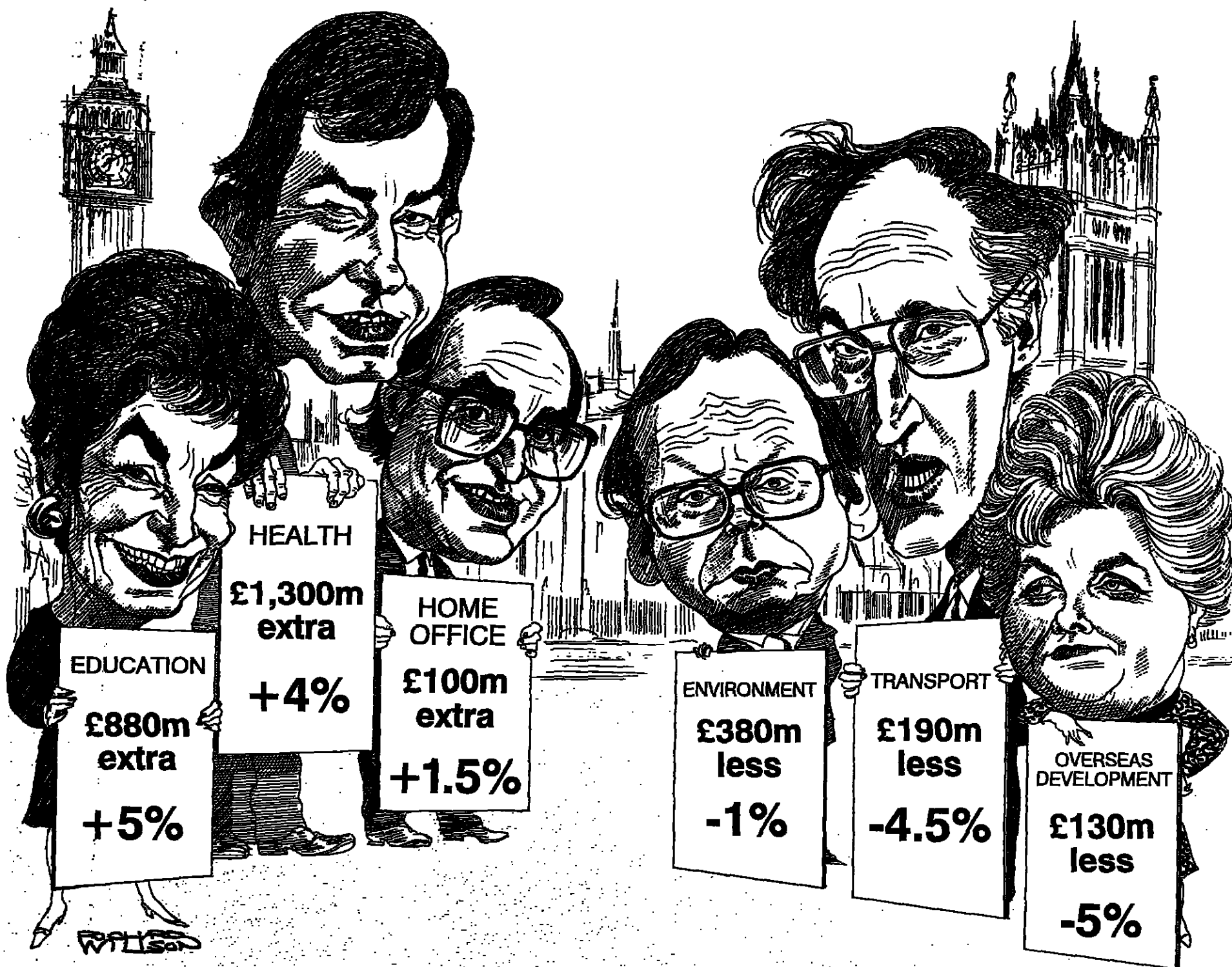
Peter Lilley, master of Whitehall's biggest budget at social security, emerges bloodied but unbowed from his tussle with William Waldegrave, the Treasury Chief Secretary. His budget rises by more than £1 billion compared with initial plans for 1996-97.

The Treasury's wildest fantasies of legislation to abolish benefit for single parents remain unfulfilled. But Mr Lilley has had to accept freezing of the payments made to single mothers in and out of work.

Michael Portillo, whose defence budget is being cut by another £500 million next year, is another loser from the spending round.

Mrs Shephard, the Education and Employment Secretary, has found that leaks pay. Last January, the papers were full of a confidential letter from the Secretary of State to David Hunt, then in charge of the Cabinet committee dealing with education spending. She warned him that all hell would break loose in classrooms "if we now offer teachers a provocatively low settlement, or acceptable pay levels only at the cost of sharp increases in class sizes". She also said that up to 10,000 teaching jobs were at risk unless more money was found.

She largely lost that battle, nudging up the Treasury's initial offer of 0.3 per cent extra to only 1.1 per cent. But



her eye was by now on the main prize of the settlement for 1996-97. Blithely exploiting her close friendship with John Major (he calls her Gill even in public), she chose the teaching unions' annual Easter outing to go public on her demands for more cash.

She told the Secondary Heads' Association in April that she needed their assistance to ensure that there was

no repeat of this year's settlement.

By then, the Prime Minister had publicly allied himself with her cause, telling senior Conservative activists in Birmingham that he had put education at the top of his list of priorities.

The Treasury was livid but there was little it could do. Just in case there was any doubt, another of Mrs Shephard's

begging letters was leaked on the day of the Chequers summit in September.

Totally overshadowing the Prime Minister's attempt to regain the political initiative, a draft of her submission to the summit contained a lurid warning of trouble ahead unless more cash was forthcoming.

"Insufficient resources now threaten the provision of education in the

state school sector, including grant-maintained schools," she said.

Mr Dorrell, who saw his budget cut back in his unhappy spell at National Heritage, was safeguarded at Health by the manifesto commitment to real year-on-year increases in health spending. But the pledge was open to a variety of interpretations. A real increase, in Treasury-speak, can

mean just 0.1 per cent above inflation. As it turned out, after discounting the incalculable effects of privatising hospital buildings, Mr Dorrell was yesterday claiming he had won a 1.6 per cent increase in real terms, worth £500 million.

Amid the Cabinet's fragile egos and fierce rivalries, Mrs Shephard *et al* will be seen as having scored personal tri-

umphs, while the losers will be perceived to have fallen out of favour. But the truth is somewhere in the middle. Education, health and law and order are Mr Major's new Holy Trinity, whereas transport, local government and overseas aid have been consigned to Purgatory. Political fashion rather than political clout was the biggest influence on yesterday's scoreboard.

Single parents penalised as Lilley freezes benefits

By JILL SHERMAN, POLITICAL CORRESPONDENT

LONE parents and young people in rented accommodation are the main victims of the social security reductions announced by Peter Lilley yesterday.

The Social Security Secretary confirmed that the two main benefits for single mothers — lone-parent benefit and lone-parent premium — will be frozen from next April at a saving of £225 million.

He also signalled tougher longer term measures to phase out single-parent payments that cost the state £9.4 billion by gradually bringing them in line with the lower child benefit and family premium given to married couples.

This could be done by cutting payments to single parents in future years or freezing the level till child benefit and family premium catches up with them. (At present, single parents get their special benefits on top of those given to married couples.)

The lone-parent benefit, which is received by 940,000 single mothers, irrespective of income, will be frozen at £6.30 a week, while the lone-parent premium, received by one million single mothers on low incomes will be frozen at £5.20

a week. Mr Lilley also announced that youngsters under 25, who now live in private rented accommodation, will receive lower rates of housing benefit next year at a saving of £100 million a year.

From next October, housing benefit for the 108,000 people under 25 who rent homes will be limited to the average local rent for shared accommodation rather than self-contained housing, as it is now.

But Mr Lilley managed to fight off Treasury demands for more draconian cutbacks that would have involved primary

legislation. William Waldegrave, the Chief Secretary to the Treasury, had been hoping to abolish lone-parent benefit and introduce tougher measures for youth getting state help for housing. Mr Lilley succeeded in convincing him that both plans would have had difficulty getting through the Commons, given the Tories' small majority.

The Social Security Secretary also secured extra help to encourage mothers into jobs. The childcare disregard for Family Credit, which goes to low-income families in work,

will be increased from £40 to £60 a week, at a cost of £4 million. In addition, the minimum maintenance payment under the Child Support Act will rise from £2.35 to £4.80.

The cuts were immediately condemned by Labour and organisations representing single-parent families. Chris Smith, Shadow Social Security Secretary, said the proposals to phase out benefits for single parents would "mean a real cut of 25p a week" in the incomes of lone parents in work and increase disincentives to work. The changes to housing benefit would mean that young people would be forced into multi-occupancy housing with health and fire risks.

Karin Pappenheim, the director of the National Council for One Parent Families, said in real terms, the cut in single-parent benefits meant that 2.3 million children would be driven deeper into poverty. "This is a reduction which will deliver only small savings to the public purse but will hit one-parent families hard," she said. "Reducing these benefits will inflict extra pressures on one-parent families who are already struggling on meagre incomes."

£2bn cut in Civil Service raises redundancy fears

By NIGEL WILLIAMSON, WHITEHALL CORRESPONDENT

THE Chancellor announced £860 million of cuts in the cost of Whitehall bureaucracy over the next three years. Total savings will be £2 billion.

The Chancellor failed to indicate the impact this would have on jobs but a Treasury spokesman said that the number of civil servants next year would fall to below 500,000 for the first time in over 50 years. The present figure is 506,000, a fall of 11 per cent since the 1992 General Election.

Civil servants had braced themselves for cuts after a series of leaks and some fighting talk from William Waldegrave, the Chief Secretary to the Treasury, who in September called for big savings in the administration of Whitehall. But there was still surprise at the scale of cuts. The Association of First Division Civil Servants said that the Chancellor had failed to say where the savings would be made and denied that there were big economies still to be made by eliminating waste.

Liz Symons, general secretary of the association, said: "Never a week goes by without announcements of civil service job losses. But the bigger question is what services will deteriorate or be cut altogether. Civil servants are not

'bureaucrats'; they are dedicated public servants providing the essential services of government that we all rely on. They, as well as the taxpayers, are entitled to know where the Chancellor's cuts will fall."

The National Union of Civil and Public Servants predicted that tens of thousands of jobs would go, leading to "fewer customs officers fighting drug smugglers, bigger queues for passports, less staff to help with benefit claims and longer waits for driving tests".

Kenneth Clarke told the

Commons: "We are now making spectacular efficiency gains as a result of our civil service reforms of recent years."

In last year's Budget, he announced cuts in the cost of central government of 10 per cent in real terms over three years, but the Chancellor said this year he was going much further. In real terms, the cuts over three years represented savings of 12 per cent.

Every department was asked to produce administrative savings, the Chancellor said, and all had responded in

a way that would "protect the front line of public service delivery". The Chancellor singled out the Ministry of Defence for its efforts in finding efficiency savings.

Departments are also being asked to limit their use of consultants. While reductions have been made in civil service numbers, the cost of outside consultants has spiralled to £900 million a year, covering some 10,000 contracts.

Aid agencies condemned the £124 million cut in the overseas aid budget as a blow to the world's poorest people (Andrew Pierce).

The 5.4 per cent reduction, from £2,778 million to £2,634 million, is the equivalent of 16p more in the average weekly take home pay packet. Mike Aaronson, director-general of Save the Children, said: "The 16p extra is not even the price of a bag of crisps over here. But in a poor country it could mean the difference between life and death."

The reduction is the equivalent of the combined programmes in Africa of Action Aid, Cafod, Christian Aid, Oxfam, Save the Children and the Worldwide Fund for Nature. fund. Britain, however, will continue to be the fifth largest aid donor in the world.

Landfill levy boosts recycling

ENCOURAGEMENT for tree-planting schemes and improvements to rubbish dumps were announced. The Chancellor confirmed that a levy of £7 a tonne will be made on household and industrial waste sent to landfill sites.

Industry expects the levy, first suggested last year, will boost prospects for recycling, composting and waste-intro-

energy schemes by in some cases doubling the cost of burying waste in the ground.

The Chancellor said the estimated £500 million raised will be used to cut employers' National Insurance contributions, helping to take people off the dole. The initiative includes the setting up of environmental trusts by October 1996.

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Carol Crawford and her daughter Lauren. "Sound points but they were isolated"

Child benefit chance missed

Single mother, low income: Carol Crawford, 42, is separated and looks after her daughter Lauren, 5. A former engineer, she now works part-time cleaning locally in Croydon. The council pays her mortgage and she claims income support. She receives no maintenance payments from Lauren's father, who is abroad.

She has always voted Conservative but is wavering. Budget hopes: she wanted the introduction of means-tested child benefit. "At the moment it stands at £10.40 for the first child for everyone, but to some it is almost irrelevant while others need much more." She also wanted a measure to stop single-

VOTER VERDICT

parent benefit being deducted from income support.

Like many, Mrs Crawford was horrified at pre-Budget rumours of tax cuts. "The Government are trying to appease the taxpayer but it achieves so little and the money goes into the hands of the few. She wanted cigarettes and alcohol taxed 'to the hilt', the duty on petrol raised and an increase in road tax.

Budget reaction: well intentioned but wishy-washy. Mrs Crawford was delighted with the increase in the family credit childcare allowance and the widening of the

savings threshold for the elderly in care. "We all need an incentive to save and if you think it's going to be taken away you don't bother, so that was a sound principle."

She was irritated by the penny reduction on basic income tax. "No one will notice it and it could have been better spent elsewhere."

"Taxation on cigarettes didn't go far enough. I was also disappointed that they didn't make a commitment to public transport, which is an important issue for me."

"Overall I wasn't overly impressed. There were sound points but they were isolated. They made all the right noises but there wasn't a great deal behind them."

BUDGET 95

Chancellor's Speech: more money promised for three things

Clarke delivers 'responsible' package aimed at pleasing Middle Britain

MATTHEW COOK

Kenneth Clarke,
Chancellor of the
Exchequer,
presented his
Budget yesterday.
This is an edited
text of his speech

I have already said publicly that I have been looking forward to this year's Budget. I am enjoying each a little more as I get nearer my goals.

The British economy has now been growing for almost four years. The recovery has created more than half a million new jobs. We have more of our people in work than in any other major country in the European Union. Inflation is enjoying its best run for almost 50 years. All the major Western economies have slowed down this year but our recovery remains stronger than most. The International Monetary Fund has forecast that next year we will be joint top, with Germany, of the G7 growth league table.

Few Chancellors have delivered their Budget against a background of such strong economic fundamentals. But getting this far has not been easy. It has required tough decisions on tax and spending over the past three years. This Budget builds on the hard-won gains this Government has made and keeps Britain on course to be the enterprise centre of Europe; a Britain that creates more jobs and generates the greater wealth and personal prosperity in which all can share; a Britain in which everyone can keep more of what they earn or save to spend as they choose, not as the State chooses; a Britain where more money is spent on the things that everyone cares about — our schools, our hospitals, our police.

The people of this country believe in these goals. Only this Government is committed to the means of achieving them. We are keeping inflation low. We are keeping control of public spending. We are keeping government borrowing on a downward path. And we believe in the policies of low taxation which all countries must follow if they want to be world-class economic powers.

The people of Middle England, Middle Scotland, Middle Wales and Middle Ulster understand that these policies address their needs and meet their concerns in a rapidly changing and ever more competitive world. These are the people who are hard-working and take responsibility for themselves and their families; the people who want to get on in life, who run their own businesses and who create jobs; and the people with that great British virtue, a social conscience, who want to see a successful economy first earn the wealth, in order to give the weak and the less fortunate a helping hand.

This Budget addresses the aspirations of the people of this country in an economically and socially responsible way. It controls public spending overall while shifting more money towards schools, hospitals and the police, it keeps government borrowing on a clear downward path and fiscal policy tight so that the recovery will be sustained. And it cuts taxes.

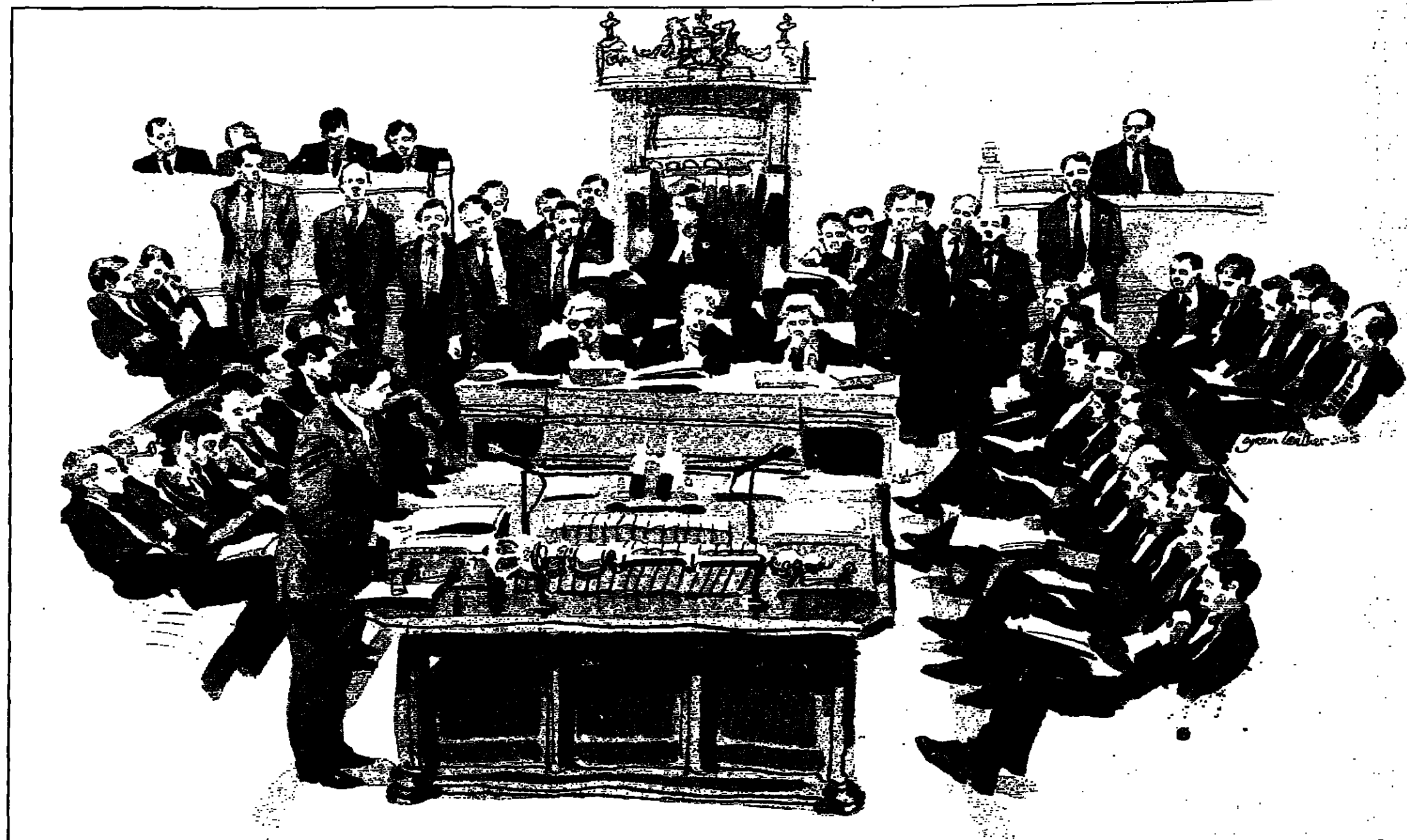
For all these reasons, that is why I have been looking forward to this year's Budget.

THE RECOVERY

Before moving on to specific tax and spending measures, let me deal briefly with the economic background. In 1994 the economy grew by about 4 per cent, fuelled by the success of British exporters overseas. No mature industrial economy could easily sustain these rates of growth without risking a rise in inflation. That is why towards the end of last year I raised interest rates.

In the event, slower growth in the world economy has reduced the growth of British exports. Our exporters are well-placed to compete in markets overseas. For example, we now have a current account surplus with the so-called tiger economies of South-East Asia. But our key markets in America and Europe are growing by less than they were in 1994. Growth in this country will be sustained because the fundamentals of the economy are strong as a result of our economic policies. We have low inflation, sound public finances and more competitive businesses.

The change in the pace of growth this year is not unique to Britain and has been seen in the US, Germany and elsewhere. No recovery ever proceeds at a constant rate of growth throughout. In fact, this recovery is proving to be the steadiest seen in Britain for a generation. Many commentators confidently predicted that the high-



er tax and lower public spending of the last three Budgets would knock the recovery off track. They were wrong. Consumer spending has been on a firm upward trend since the recovery began. With the tax increases behind us, consumer spending should grow further next year and the year after.

Businesses have responded to the economic recovery by investing for the future. Manufacturing investment has grown by 12 per cent over the past year. The conditions for further increases in investment — low inflation, low interest rates, low corporate tax rates and healthy company balance sheets — remain in place. For the economy as a whole, the forecasts published in

‘We are changing the welfare state to ensure that it serves the needs of today not of 40 years ago’

The Red Book are for growth of 2.75 per cent this year and 3 per cent in 1996.

My last two Budgets have strengthened the foundations of the economy and put the recovery onto a secure footing. I have reduced public spending and borrowing plans to create more room for the wealth-creating part of the economy to grow. I have helped businesses. And I have improved the working of the labour market.

The decisions I took and the policies I pursued in those Budgets have helped to reduce pressure on me to increase interest rates further, without jeopardising my inflation target.

INFLATION
We have got inflation under control. Inflation has picked up over the past year as the impact of last year's worldwide increase in commodity prices has fed through the price chain. But these cost pressures are now steadily easing.

Underlying inflation may be close to its peak and should resume its downward path during the course of next year. It remains on course to meet the Government's target of 2½ per cent or below by the end of the present Parliament. The House might care to remember that last August was the twentieth anniversary of inflation reaching a staggering 26.9 per cent.

PUBLIC FINANCES

We have got the public finances under control. The Government has delivered last year's tough public spending plans. Indeed, we expect to undershoot them. However, tax receipts have come in lower than expected this year. This

is partly due to lower inflation and the old are there if and when they need them. That is why we are modernising the welfare state so that it underpins the British economy, and does not undermine it. We are changing the welfare state to ensure that it serves the needs of today not of 40 years ago, that it serves those who genuinely need it, and that it is affordable to the taxpayer.

These objectives are being achieved in the face of huge pressures for higher public spending year after year. But this Budget proves that we can have good-quality public services and spending control. Unlike our critics we understand that good services depend not only on how much you spend, but on the way that you spend it.

This realistic but socially responsible approach has guided me this year. I have limited the growth of spending overall. But I have also provided more money for the public services the British people care about most — schools, hospitals and the police.

To pay for this my Right Honourable Friend the Chief Secretary and I have found savings elsewhere from our continuing drive to modernise government. Let me deal first with the priority areas where I have been able to increase spending plans.

HEALTH

This Government is committed to the NHS. I am proud that since 1979 spending on the NHS has increased by more than 70 per cent in real terms. We are continuing to deliver our commitment to increase spending on the NHS in real terms. That is what we said we would do and we are doing it.

Public spending on the NHS will increase by more than £1 billion next year. In addition, patients will benefit from improvements in efficiency, including reductions in NHS management costs. All these savings, about £650 million next year, will be ploughed back into patient care. And privately financed projects will bring nearly £700 million of extra investment over the next three years without in any way undermining the fundamental principle that healthcare should be free at the point of service. This money is on top of the additional £1 billion public expenditure and it all represents additional resources for our free NHS.

SCHOOLS

This Budget allows for spending on schools to rise next year. We have already increased spending per pupil by some 50 per cent in real terms since 1979. We devote a higher proportion of our public spending to education than Japan, Germany and France.

Our achievements have been impressive. Post-16 staying-on rates have risen dramatically, from 42 per cent in 1979 to 72 per cent now. Almost one in three young people goes on to higher education, up from one in eight in 1979. We

have the highest graduation rate of any major European country. We have achieved many improvements in our schools — introduction of the national curriculum, more rigorous schools inspection, measures to tackle falling schools, greater choice for parents, better vocational education, and extension of free nursery education. This is not just good for our children, it is good for our future and for our economy.

Our reforms have delivered better standards of education for each pound we spend. But we are also spending more pounds. The plans I am publishing today allow for an increase in spending on schools of £770 million. Within this more than £770 million will be channelled through the local authority settlement. Parents will rightly expect local authorities to carry this funding through to school budgets and they should ask their local authorities how this extra money will be spent on their children.

POLICE

Since 1979 spending on our police has almost doubled even after allowing for inflation. Next year, the resources available to fight crime will be increased again. Money is being provided for an extra 5,000 police officers over the next three years. This is on top of the 32,000 increase in the police service since 1979. The plans also allow for an extra 10,000 closed-circuit television cameras in town centres and elsewhere.

I have found these extra resources for important programmes because we are changing government to make sure it meets the needs of people today, not of 20, 30



or 40 years ago. We are cutting government bureaucracy, cracking down on fraud, getting government out of activities it need not be involved in and using private-sector skills and finance to provide better public services. That is the hallmark of a government that is looking to the future needs of a modern industrial state.

RUNNING COSTS

We are now making spectacular efficiency gains as a result of our Civil Service reforms of recent years. In my last Budget, I cut provision for central government running costs by 10 per cent in real

terms over three years. This year I will go much further on top of that. The cash cost of Whitehall will be £860 million lower in three years than it is today. In real terms, this represents savings of 12 per cent, which is equivalent to nearly £2 billion a year.

But we must never delude ourselves that more resources for schools, hospitals and police as well as tax cuts can be paid for just by eliminating waste in the public sector. Life is not that simple. We have also had to look elsewhere.

SOCIAL SECURITY

Three years ago, before my Right Honourable Friend the Secretary of State for Social Security skillfully put in place a programme for long-term reform, we were expecting social security spending to grow by more than 3 per cent per year in real terms. We now expect real growth in planned spending of about 1 per cent per year over the next three years. This reduction in growth will build up year on year to a cash saving of huge proportions. The changes we have made are an assurance for future generations. We are going to leave our children a welfare system which works and which they can afford.

My Right Honourable Friend the Secretary of State for Social Security will announce the details of this year's settlement to the House tomorrow. The main points are as follows. Increases in social security spending next year will be well within the growth of the economy. We will ensure that it all represents legitimate spending on people in genuine need.

That is why my Right Honourable Friend will give details of a further intensive campaign against fraud. He will also announce measures which will mean people who apply for asylum on arrival in the country will cease to receive benefits after an unfavourable adjudication.

My Right Honourable Friend will announce steps to close the gap between the single parent's benefit and those paid to other families. The right approach to single parents is neither to penalise them nor to favour them. The costs and responsibilities of having children are the same for couples as they are for single people.

We intend to build on our previous measures to help more mothers move from benefit dependency into work. My Right Honourable Friend will announce a package of measures to encourage work including a further increase in the childcare allowance in family credit from £40 to £60 a week.

The housing benefit system should not be an inducement for young people to leave their families before they need to. My RHP will announce measures to restrict the amount of housing benefit paid to single people under 25 to a maximum that more sensibly reflects their circumstances. The benefit system should offer a real incentive to young people to rent within their means, improving their incentives to work. It is by restricting spend-

ing in these areas that we can protect people in greatest need and stand by our pledges on pensions and child benefit. Others may claim to be thinking the unthinkable. I am glad that they have at last started thinking.

This Government has acted decisively to put in place policies to bring social security spending under control. Let no one underestimate what we have done. Measures announced in my three Budgets will reduce planned social security expenditure by £5 billion a year by the end of the century.

Social security is a good example of how more money can be found to be spent on areas we care most about, by trimming back else-

‘The right approach to single parents is neither to penalise them nor to favour them’

where. We have applied this principle to most other programmes. When HMS examine the details of our spending plans, they will find that in practically every Department we have found significant savings while protecting the front line of public-service delivery. Let me give two examples.

We have found further efficiency savings in defence, while maintaining our commitment to a strong front line. And in a tight public spending round, the planned allocation for bilateral aid is likely to be little changed from that set out in last year's departmental report. British bilateral aid is internationally recognised for its high quality, and for the substantial share going to the poorest countries in Africa and Asia. This will continue.

We are also doing more to get the Government out of activities it simply need not be involved in. My Right Honourable Friend the Secretary of State for Defence is today announcing his intention to transfer ownership of the Ministry of Defence married quarters estate to the private sector. This will improve the management of the estate, which will be good for the Services and good for Service families. We plan to privatise the Housing Corporation Loan Book, and to encourage the banks to provide Student Loans.

PRIVATE FINANCE

There are many services that the Government has a duty to ensure are provided as public services, but where private-sector management skills and expertise can improve delivery. This is where the Private Finance Initiative comes in. Under the Private Finance Initiative the

Continued on facing page

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17

everyone cares about — schools, hospitals and the police

Continued from facing page
public sector does not simply sign a contract to buy a prison, a train or a computer system. It pays to have specific services supplied at guaranteed levels of performance — available prison places, trains running reliably on the Northern Line, national insurance records kept up to date. The Government chooses the quality services the public require, and then goes out and acquires those services from private companies with the finance and expertise to deliver.

The key point is that the initiative delivers infrastructure projects of higher quality at a lower overall cost to the British taxpayer. That is because the private sector puts its own money at risk and brings its own management skills to bear.

The initiative means that better public services will be provided by better private means. The service remains a public service and the taxpayers gets a better deal. No wonder some of our critics have decided to copy our innovative policy.

We are now far beyond the stage of simply identifying projects. The money is starting to flow. We expect actual capital spending under the Private Finance Initiative to be around £2 billion per year and rising over the next three years. We expect to have agreed contracts worth at least £14 billion by the end of 1998-99.

This money is replacing old-style public-sector capital spending and can deliver big gains in value for money for the taxpayer. In the past, cost overruns and delays were typical of public-sector capital projects. For example, the PFI contract for Northern Line trains specifies reliability levels nearly four times above the best fleet currently operating on London Underground. The service we will get from the new National Insurance records system could have cost up to twice what we will pay under the privately financed deal we have struck. As a result of these flows of private finance, we have been able to find savings in publicly financed capital while maintaining overall high levels of investment activity and high-quality investment.

Let me just illustrate progress with another four projects that demonstrate the extent to which the Private Finance Initiative is spreading to all parts of government. First, I can announce a huge new package of privately financed roads, five new projects with a capital value totalling £500 million. Second, my Right Honourable Friend the Secretary of State for Health has announced today that a £35 million deal is going ahead to modernise two hospitals for South Buckinghamshire Third, we are

ing associations and other private landlords. Challenge Funding has enormous potential for projects of all kinds. My Right Honourable Friend the Secretary of State for the Environment is considering more Challenge Funding for a wider range of local authority capital provision, and will be making an announcement later this week. Challenge Funding ensures the best possible projects get the money, while fostering genuine local commitment to the project.

BUDGET STRATEGY

Public spending as a share of national income varies from year-to-year but under this Government's policies over the past 16 years the trend is downward.

In the mid-1970s, total public spending peaked at 47.25 per cent of national income. The next peak reached 45.5 per cent in the early 1980s and the last peak was 43.5 per cent in the recession of the early 1990s. I now expect total public spending to be 42 per cent of



national income this year. When I became Chancellor two and a half years ago I said we should aim to push the ratio below 40 per cent and keep it there. The decisions I am announcing today will achieve that aim. The ratio will be below 40 per cent from 1997-98 onwards. That is far below the ratio in any other major European country. Controlling public spending is crucial to our goal of making the economy more successful and the enterprise centre of Europe.

I have now taken £53 billion out of projected public spending in my three Budgets. I judged this necessary to reduce government borrowing, following the international recession of the 1990s. Even with the extra money for schools, hospitals and the police, I now expect broadly unchanged in real terms over the next three years.

When we first set out our public spending control totals three years ago, most of the pundits did not believe we would stick to them. The doubters have been proved wrong. Not only have we stuck to our plans, I have managed to reduce them again, for the third year running. Next year, the control total will be £32.5 billion below the level set in last year's Budget. That is £12 billion below the level we expected it would be for that year when I became Chancellor.

Having carefully reviewed the latest projections for public borrowing in the light of those decisions I have concluded that we can now return to the task of starting to cut taxes again. I am able to make tax cuts broadly equivalent to the spending reductions, with Government borrowing still falling to zero by the end of the decade.

After the Budget measures are taken into account I expect the PSBR to continue to fall at roughly the rate we have now achieved in the last 2 years. I expect it to fall from £20 billion this year to £22.5 billion in 1996-97 and £15 billion in 1997-98. Broad balance should be reached after a further two years. The financial deficit is now expected to be close to the Maastricht reference level of 3 per cent of GDP in 1996-97, and to fall well below it in subsequent years. So fiscal policy will remain tight. That is why the measures in this year's Budget are economically and socially responsible. I have made clear all along that every Budget I deliver will be dominated by the long-term interests of the British economy. Let me now turn to my tax proposals.

I have had to consider carefully where tax cuts might fall. Since 1979, this Government has shifted the tax burden away from direct taxes, which fall on income and employment, and towards indirect taxes on spending and consumption. This is the best way to encourage enterprise and investment and to improve the long-term performance of the British economy. Before moving on to direct tax,

let me run through my proposals for indirect taxes.

MOTORING

I intend to stick to my commitment to raise road fuel duties by at least 5 per cent on average in real terms. From 6pm this evening, tax on petrol and diesel will rise by 3½p a litre. I also plan to increase the tax on super-unleaded petrol by a further 4p next May. This reflects its higher emission of pollutants such as benzene and the dangers to the revenue of switching from leaded petrol. Despite these increases, petrol prices in this country should remain lower than in any other major European country.

Last year I froze the duty on gas used in road vehicles, that is liquid petroleum gas and compressed natural gas, pending further work on their impact on the environment. Studies since then have confirmed these are relatively clean fuels. The Government would like to help encourage further use of these fuels, and I propose to reduce duty on them by 15 per cent.

We expect emissions of most pollutants from vehicles to fall over the next few years. But emissions of some pollutants may remain at high levels, so the Government intends to look into ways of using vehicle excise duty to encourage low emission vehicles. This year, the tax rise for cars will be £5. But I am freezing the rates for lorries for the sixth consecutive year.

Honest motorists are irritated by tax disc evaders. The Secretary of State for Transport and I are publishing today a revised proposal on continuous licensing which will make it easier to enforce the collection of vehicle excise duty. But we will not be requiring licences for vehicles when they are kept off the road. To make sure that the new system does not penalise vintage and classic car enthusiasts, many of whom only run their cars on the road occasionally, we will be exempting from duty all cars and motorcycles over 25 years old, taking 150,000 historic vehicles out of tax.

TOBACCO

In my 1993 Budget I gave a commitment to raise duty on tobacco by at least 3 per cent per year in real terms in future Budgets. I thought that was the most fair and effective way of backing up health warnings on smoking and I remain convinced of that today.

From 6pm this evening the tax on a packet of 20 cigarettes will increase by 15p, on a packet of small cigars by about 6p and on a 25 gram packet of pipe tobacco by about 8p. I intend to freeze duty on hand-rolling tobacco this year because it is proving to be far the easiest product to smuggle.

LANDFILL TAX

Last year I proposed a new landfill tax, a charge on the disposal of waste in, for example, tips and old quarries. This will come into effect on October 1, 1996. It will be charged at a standard rate of £7 per tonne and a lower rate of £2 for inactive waste.

This is a tax on waste in order to reduce the tax on jobs. The money raised by the landfill tax will allow for a matching cut in the main rate of employers' National Insurance contributions by a further 0.2 per cent to 10 per cent from April 1997. This will cut the cost of employment by £0.5 billion and make it cheaper for businesses to create new jobs.

ALCOHOL

Cross-border shopping and smuggling of alcohol is a serious problem for the retail drinks industry in Britain and it affects government revenue, although total revenue is still rising. Shopping abroad is one of the greater freedoms gained for consumers in the European single market. But smuggling is a crime which we will continue to fight.

Our duty levels are higher than those of our continental neighbours. Each member state must retain its freedom to set its own tax levels and we accept the downward competitive pressures on tax in a single market. We therefore have to address the legitimate concerns of the British drinks industry but at the same time minimise losses of revenue that would otherwise have to be raised by other taxes. This year I propose to freeze duty on beer and wine. Tax as a share of the cost of a pint of beer is now the lowest for over 20 years.

There are two changes I propose to make to other duty rates here at home. Very strong cider is presently undertaxed compared with other



drinks and I intend to raise its duty by 8p a pint from next October, without disturbing the rate for ordinary ciders.

High rates of duty at home have made it difficult for the Scotch whisky industry to press their excellent case for lower duty rates in other countries. Scotch is one of our most important exports. Spirits duty will therefore be reduced by 4 per cent from 6pm today. This is equivalent to 21p off a bottle of whisky.

GAMBLING

The National Lottery has been an outstanding success. More than £1 billion has been raised for good causes over the past year. But its success has affected other parts of the gambling industry in Britain.

I am satisfied that the industry's concerns are genuine and I propose to cut general betting duty by 1 per cent. The benefits should be spread



between the betting industry and horse and greyhound racing. If satisfactory agreement can be reached quickly the duty cut can take effect from March 1.

The pools companies have also been affected by the success of the National Lottery. I propose to reduce pool betting duty by a further 5 per cent from December 3 on top of a similar cut I made last year. I am willing to reduce pool betting duty by another 1 per cent from May 5, if the pools companies will agree to pass on that extra 1 per cent equally to the Football Trust and the Foundation for Sport and the Arts. This reduction would help the trust and the foundation to continue their valuable work and I

am sure that would be welcomed on all sides of the House.

WINDFALL TAX

I have considered carefully the case for a windfall tax on the utilities. I have been told that it has many splendid qualities. A one-off tax, it is often described as if it hurts nobody. It is claimed that it has no impact on the economy and can be used to pay for up to ten public spending proposals which cost far in excess of the amount of tax it actually raises. What a potential pot of gold, what an elixir to cure all ills.

Of course, it is nothing of the kind. A windfall tax would damage investment and threaten the quality of customer service. It is an illusion that a windfall tax is paid by the company. It is paid by its shareholders, including many small shareholders and pension funds. And it would mean higher future prices for customers. The whole point of privatisation is to benefit consumers, not simply the Exchequer. I do not intend to introduce such a tax.

OTHER TAXES

Let me turn to some other proposals I do not intend to make. I have no plans and I never did have any plans to change the rules which allow the first £30,000 of redundancy payments to be received free of tax. I also never contemplated any increase in insurance premium tax nor air passenger duty. Those ideas were inventions of the newspapers.

Tax law has become too long and complicated. Some experts have described it as incomprehensible. The Inland Revenue will shortly be publishing a report on tax simplification. We will propose that the Revenue tax code is rewritten in plain English — a major task. The House has a duty to set out clear legislation. We in the House will need to look at our procedures to see how this tax rewrite can be sensibly handled.

HOUSING

This Government's commitment to home ownership remains as strong as ever. Today there are 16 million homes in the UK occupied by their owners, 40 per cent more than in 1979. All surveys show the vast majority of people still want to own

their own homes. We therefore have a target in our Housing White Paper of a further 1.5 million home owners over the next years. I reaffirm that mortgage interest relief will remain unchanged for the lifetime of this Parliament.

We have already introduced measures for mortgage lenders to make it easier for people with

negative equity to move home. The Finance Bill will pave the way for Housing Investment Trusts which will encourage investment in private rented housing.

I have considered carefully the case urged upon me for special measures to revive the housing market. Many housing experts sadly are forced to the same conclusion as me that none of the affordable proposals would actually make any difference.

The problem is not the cost of house purchase. There have never been such bargains on the market. An average mortgage costs only around £180 per month, far less than renting an equivalent property, and houses are more affordable than they have been for years. I remain convinced that what the housing market needs above all is steady growth and low inflation. That is what this Budget delivers. This Budget will reinforce my ability to keep interest rates and mortgage costs down.

That matters most of all to the housing market. All the major lenders expect prices to start to rise next year and, as confidence grows, I expect the market to start to move soon.

DIRECT TAXATION

I want to do four things this year. I want to give people more security by ensuring that their needs will be

met in old age. I want to help people have a greater personal share in the prosperity and success of the businesses for which they work. I want to encourage enterprise, particularly small businesses. And I want to allow people to keep more of the money they earn or save to spend as they choose, not as the State chooses. This is essential in a modern, dynamic economy.

Long-term care: In this Budget I will be helping people who are earning and people who are saving. But I also want to help those who have worked and saved all their lives. Some of these people may be unfortunate enough to need care in residential or nursing homes in their old age.

If they do, they may find their savings eaten away quickly to pay for that care. Of course, this is one of the rainy days for which people save. But the balance between the State paying and the family paying must be right. If it is not many prudent people will complain that they are being treated unfairly compared with those who were unable or unwilling to save at all.

To help people who have already put money aside it was recently decided to exempt from VAT some forms of care provided in someone's own home. I now have two important further proposals.

First, I intend to exempt from tax the benefits from a range of insurance policies which provide long-term care benefits. We should encourage, not penalise, people who decide to take responsibility for themselves.

Second, at present, only people with assets worth less than £3,000 are not asked to make any contribution from their capital. People with assets worth more than £3,000 receive no financial support from the Government. When applied to care in residential and nursing homes, these limits are far too low.

From April, and sooner if practicable, we will more than triple the lower threshold from £3,000 to £10,000 and double the upper threshold from £8,000 to £16,000. That means that people in residential care who have worked hard and saved will now keep more of their own money.

This will give many elderly people and their families more financial security and greater peace of mind. But we also want to find more ways of helping people who are now in work or recently retired and want to plan ahead to prepare for their old age.

We will be consulting shortly on an innovative range of proposals to encourage people to make provision for long-term care.

We are studying in particular the concept of so-called partnership schemes. The essence of these will be that individuals who plan ahead to meet a proportion of long-term care costs themselves will be able to retain more of their assets above the £16,000 capital threshold.

State-funded care will, of course, still be there for all those who need it, but those who have provided for themselves will be able to keep more of their savings. The partnership approach combines State provision for the needy with reward for the thrifty who make provision for themselves.

In addition, I have asked the Inland Revenue to consult on the possibility of extending to members of occupational pension schemes the option to take a variable pension. This could provide a larger pension in later years, when people are more likely to need long-term care, in exchange for a smaller pension earlier on.

For future generations long-term care will be a growing problem for the finances of many families. The Government has put in a lot of work to put together a package to meet their concerns. We will now go out and consult and explain our ideas in detail. For all retired people living on their savings, Pensioners' Bonds have proved a very popular National Savings product since I introduced them two years ago. I am today announcing that we are reducing the qualifying age for purchases of these bonds from 65 to 60.

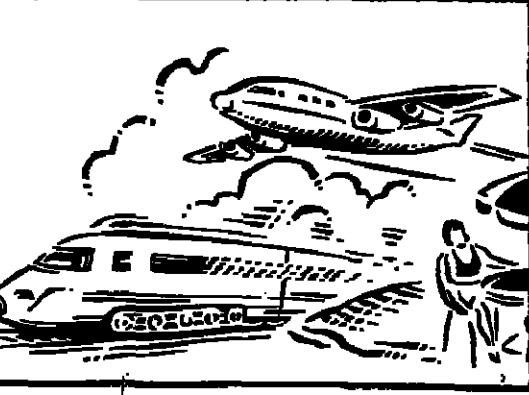


Taken together, these measures are the mark of a Government that cares about our elderly, their families and their sense of security. It also shows yet again that we are a Government that looks to the long-term in all these difficult areas of social policy.

EMPLOYMENT

I am proud of our record of wider share ownership which has seen the number of shareholders in this country treble. There are 10 million shareholders in Britain. Thanks
Continued on page 18

rv forces
to scrap
schemes

provoke call
for more help



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BUDGET 95

'Small businesses are the seed corn of our future prosperity'

Tax cuts made to reward hard work and enterprise

Continued from page 17

to our policies, shareholding is no longer a minority interest. All of the old-fashioned distinctions between employee and employer, between capital and labour, are being broken down in our modern enterprise economy. Most employees understand that their rewards depend on the success of the businesses for which they work. Most businesses believe that the best way to motivate staff is to let them share in the rewards of success. The public's willingness to embrace and understand these principles has been a major culture change over the past 16 years.

An important part of this change has been the spread of employee share-ownership, which is one of the most attractive features of what has become known as popular capitalism. Holding shares in the company they work for gives people a stake in the firm's future success.

We have two tax-privileged schemes to encourage share ownership for all employees: save-as-you-earn schemes, which encourage share-ownership through share options linked to savings plans, and profit-sharing schemes, which allow employees to receive free shares. There are around one million people in each scheme. I want to build on these successes by improving both schemes.

The minimum period for saving under a SAYE scheme will be reduced from five years to three and the minimum contribution will be halved to £5 a month. The holding period under profit-sharing schemes will also be reduced from five to three years. These changes will increase significantly the attractiveness of these schemes. But I am going to do more.

In July I withdrew the tax privileges attaching to some so-called executive share options. The overwhelming majority of companies used these options for their more senior employees. I approved of such options so long as they were linked to genuine performance but I did not see any justification for maintaining their tax privileges.

The resulting debate brought out that there was a demand for a third type of wider share-ownership scheme to provide a more flexible basis of granting options to lower-paid employees. I am, therefore, introducing a new tax relief which will enable companies to grant options, under a scheme approved by the Inland Revenue, up to a limit of £20,000.

The conditions for the new relief will be similar to the conditions which applied for the old one. The relief will also be available to schemes in existence at July 17, 1995, which qualified under the old rules subject to the £20,000 limit.

These changes go further than ever before in creating a climate in which employee share-ownership can become the norm. I hope that companies will offer all their employees, not just their executives, the chance to enjoy the economic benefits and the sense of ownership that shareholding can bring.

BUSINESS TAX

I have said several times in this speech that the Government's aim is to turn Britain into the enterprise centre of Europe. We are encouraging more innovation, investment and growth. That means allowing people to keep more of the income that they earn, and I shall have more to say about that in a moment. It means encouraging people to save more, to invest more and to build up more personal wealth. It also means helping small businesses. The backbone of our modern, dynamic successful economy is an active small businesses sector. Small businesses are the seed corn of our future prosperity. I have some important measures this year to help businesses, and in particular, small businesses.

BUSINESS TAX

Many businesses faced lower rates bills after the five-yearly revaluation of rateable values. But others faced higher bills.

'We have a clear commitment to the 20p basic rate, and we can achieve it'

To help this group I announced in last year's Budget that real-terms increases in rates bills would be capped to a maximum of 10 per cent a year. I have looked at this cap again and no longer consider it to be low enough. For 1996-97 the maximum real terms increase in rates bills for all businesses will be reduced from 10 per cent to 7.5 per cent. Small businesses will get extra help. The maximum increase for small properties will be 5 per cent instead of 7.5 per cent. 1.2 million business properties will benefit from these changes, including 870,000 small properties.

CAPITAL GAINS TAX

Investment is important for prosperity. Investment depends on capital. We want to reduce taxes on capital to encourage and reward the investment that the millions of people who work for private businesses depend on. We remain committed to abolishing capital gains tax when resources allow.

The starting point must be help for those who have built up their own businesses and want to be sure they can sell up and enjoy the rewards of their own hard work.

Tax relief for the owners of businesses selling up on retirement was substantially increased in 1991 and 1993 so that capital gains of up to £1 million now benefit from this relief. This year I am going to extend further the relief for owners who have worked hard and created their own businesses by reducing the qualifying age from 55 to 50. This will reward the success

of more of those people who own and manage their own business. It will increase incentives for those who are going to work in their own business in the future. It is the mark of a Government that backs enterprise.

INHERITANCE TAX

It is not just businesses that create wealth. Thanks to this Government's policies ordinary hard-working people have a bigger personal stake in the wealth of this country than ever before. In our property-owning democracy more and more people have the opportunity to own their own homes, have occupational or personal pensions, invest in TESSAs and PEPs, build up other savings and own shares. These benefits are now being enjoyed by the many and not the few.

Many people, who do not consider themselves rich, work hard and save for their families throughout their whole lives. They pay their taxes when they work. They want to pass on their family capital without having it taxed again when they die. Many people want to pass on an inheritance to their children and their grandchildren to give them a better start in life than they had. That is a natural instinct in families. Inheritance is now an issue for Middle Britain. It is to help Middle Britain that we aim to abolish inheritance tax as soon as we can afford to do so.

It is a myth that inheritance tax is paid only by the very rich. In fact, the very rich are well placed to dispose of their wealth in their own lifetime. Most people hit by inheritance tax are those who would not consider themselves rich at all. These are people who will bequeath not much more than the present tax free allowance of £154,000. They may be people who own their home and a few modest investments. There are many more people like them who fear their assets will be hit by inheritance tax. I therefore propose to increase the tax-free allowance substantially to £200,000. The number paying inheritance tax will be cut by a third and only 1 in 45 estates will now pay this tax.

Inheritance tax can also have a direct effect on enterprise. A family company may have to be broken up when the owner dies. We already recognise this problem through the existence of business property relief for qualifying unquoted companies. I now propose to remove the problem altogether by extending 100 per cent relief to unquoted shareholdings whatever their size.

INCOME TAX

In the post-war era, when Britain went into comparative economic decline, Britain had high rates of taxation on income. That damaged the economy and stifled prosperity. It was a tax policy based on envy.

When this Government came to power the basic rate was 33 per cent. The top rate on earnings was 83 per cent. Rates on so-called unearned income were as high as 98 per cent. There was nothing fair

about taxation before we started to make it fairer.

During the past 16 years we have cut the basic rate by around one quarter to 25 per cent and abolished all rates of income tax above 40 per cent. But the income tax burden is about more than just tax rates. Tax allowances matter as well.

I propose to increase allowances for married couples and people receiving related allowances by £70, in line with indexation. It is a myth that the tax system penalises marriage and that single people are better off than married couples. Any young couple contemplating living together and starting a family will pay less tax by getting married.

As the economy continues to grow and create jobs, more people — as they return to work — will find themselves earning more than the tax threshold.

I believe we should relieve as many of the lower-paid as possible from the burden of income tax. I therefore propose to increase the basic personal allowance by £240, that is £100 more than indexation. This will provide an incentive to work to those at the bottom of the income scale. More than 200,000 people will be kept out of tax compared with indexation of allowances.

People who do not consider themselves rich now find that their incomes may bring them into the top rate of tax. That has a lot to do with the growth of the economy over 16 years and the growth in personal incomes. I do not want more people to be taken into the 40 per cent band this year. I therefore propose to raise the higher-rate threshold by £1,200, £200 more than indexation.

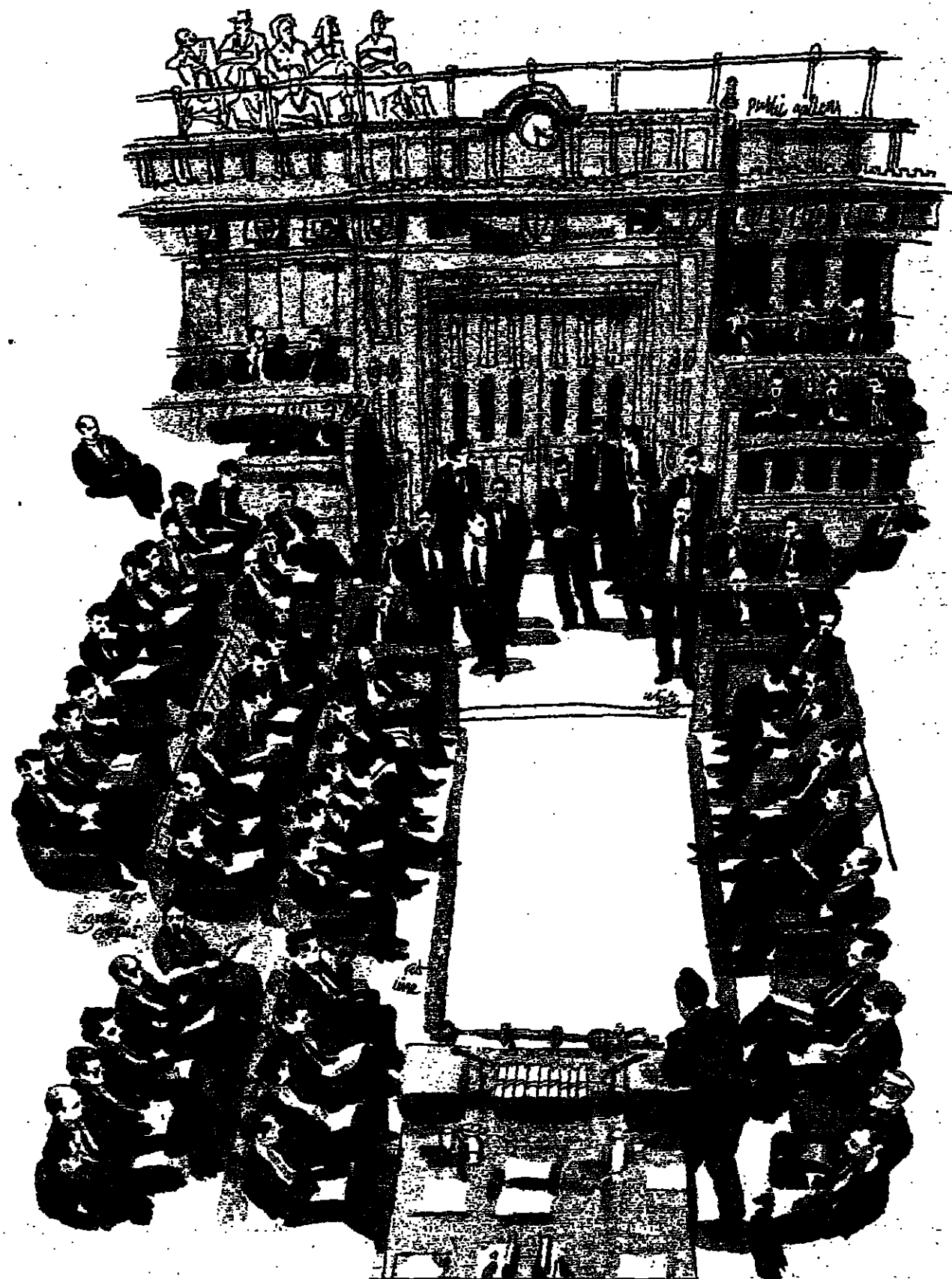
But, in the longer term, of course, we have a clear and achievable goal for income tax — moving to a basic rate of 20 per cent as soon as we can. This year I can move much faster towards that goal. I propose to increase the 20 per cent band by a further £700, that is £500 more than indexation, bringing an extra one million people into that band.

About a quarter of all taxpayers, that is more than 6 million people, will pay tax on their income at just 20 per cent. There were many who doubted the credibility of our goal of a 20p basic rate when it was first set out in 1992. We are now making big strides towards achieving it. Some people are even having to resort to trying to outbid us.

But widening the lower-rate band is not the only route to 20p. I want to make progress on another front.

I therefore also propose to reduce the rate of tax on all savings income for basic rate taxpayers to just 20 per cent. This will apply to the tax deducted from interest on bank and building society accounts, and is equivalent to an increase in interest rates for savings income.

About 14 million savers will gain from this change and see the income from their savings increase. As a result of this measure, people will gain an extra £5 from every £100 they receive in interest. Many of those who benefit will be pensioners, who will gain £75



a year on average. Some could stand to gain £500 a year more. Those who have earned and saved will be able to keep more of their money. And this measure is another important and decisive step to a 20 per cent basic rate for all income.

I propose to reduce the small companies rate of corporation tax to 24 per cent. The reason I am able to do this is that the small companies rate has for many years been pegged to the basic rate of income tax. My final proposal

'Inheritance tax will now have to be paid by only one in 45 estates'

in this Budget is therefore to reduce the basic rate of income tax by one penny to 24p in the pound.

These three steps — widening the 20p band, a 20p tax rate for savings income and 1p off the basic rate — move us much closer to a 20 per cent basic rate of tax for all income. We have a clear commitment to the 20p basic rate, we believe in it and we can achieve it.

As a result of the measures in this Budget, a married couple with only one earner on average earnings with two

children will pay £190 less tax. Overall, their real take-home pay after tax will rise by about £450 next year. They will be £700 a year better off than they were at the time of the last election. That is extra money for families to spend as they wish. My Budgets of the last two years have kept us on the course we said we would follow. We have cut taxes, we are cutting taxes and, when we can afford it and when it is in the interests of the economy, we will cut taxes again. Good economics is good politics.

This Budget puts Britain on course to be the enterprise centre of Europe: a Britain that creates more jobs and more wealth in which all can share, because business can flourish in a secure climate of low borrowing and taxation, deregulation and free trade. That is why this Budget controls overall public spending while shifting more money towards schools, hospitals and the police. That is why this Budget keeps Government borrowing on a downward path. That is why this Budget cuts taxes.

I have only achieved this hat-trick because the Government has followed a consistent economic policy. Only we have clear objectives and only we know how to achieve them.

Borrowing falling to zero: public spending below 40 per cent of national income; inflation below 2.5 per cent; a 20 per cent basic rate of income tax: this Budget puts us on a path to meet all these goals. I commend it to the House.

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BUDGET 95

19

Blair mocks Chancellor for '7p up, 1p down' tax equation

Tories 'are ignoring economy's weakness'

By Alice Thomson, Political Reporter

TONY BLAIR derided the "7p up, 1p down Budget" but said that Labour would not oppose the cut in the basic rate of income tax.

The Labour leader told the Commons: "If this Budget was supposed to relaunch the Conservative Party, it will fail. People after this Budget will still remain, since the last election, as a result of the tax rises, £700 a year worse off."

The Budget lacked vision, was deceptive and would do nothing for Britain's long-term future, Mr Blair said. "It gives with one hand what it takes with the other in a host of costs and charges. It ignores completely the fundamental weaknesses of the economy. It does nothing about unemployment, social division and decay in Britain today."

"It doesn't deal with, but avoids, the key issues on welfare. And on tax, it gives

centre of Europe" and said that living standards had fallen compared with other countries from 13th down to 18th in the national prosperity league.

Even with the tax cut, the public sector borrowing requirement was going to be £29 billion — £6 billion up on the forecast last year.

Mr Blair dismissed Kenneth Clarke's claims that growth rates were booming, insisting that the Chancellor had had to "revise downwards his growth rate for this year."

The Labour leader added that despite a trade surplus with the Asian "tiger" economies, Britain had a trade deficit with the European Union, and he said that this was on top of a 25 per cent devaluation of sterling. The real reason that taxes were up and prosperity was down was because "of the deep-rooted nature of our economic problems."

He welcomed improvements in long-term care but said: "This Budget does nothing for investment, it does nothing for skills... And if we are still 35th in the education league then no wonder we have problems with our economy in the future."

Mr Blair accused Mr Clarke of neglecting to mention hidden taxes. He said that rail fares were now going up by more than the rate of inflation, council taxes by double the rate of inflation, and that the Government was not going to cut taxes on VAT on fuel which would have been "the fairest tax of all."

He claimed the Community Programme, for the long-term unemployed, was being phased out and that instead more than £3 billion was going into the Common Agricultural Policy for the first time.

On the National Health Service, Mr Blair claimed that 17 per cent was being cut from the capital budget. "One way it could have been saved is to have removed tax relief on private medical insurance and that could almost have made up the shortfall in full. That's the difference in priorities."

Mr Blair said the Government was relying on the Private Finance Initiative to cover all the cuts in capital investment. "All these difficult questions of public spending and capital investment are to vanish and it's going into the Private Finance Initiative." He admitted that Labour supported the Private Finance Initiative

but added: "It should not be manipulated to cook the books of public finance."

Mr Blair said the Budget had completely failed to help those most in need. "One in three families are now dependent on welfare and one in five non-pensioner households have no one working. Young people often have nothing to do except roam the streets. If we are to deal with these issues we need to take firm action," he said.

He said the Chancellor should have introduced a windfall tax on the privatised utilities, but that he was afraid to do so. "That is because these are the vested interests of the Tory party, and they do not dare challenge them. The Labour leader said the Chancellor should have taken on these vested interests interests to fund a decent education and employment programme for young people. They looked for something from this Budget and got nothing."

He told the House: "If Tory MPs think as the result of this Budget, the inspiration will come to the British people to re-elect them again, I can only assume they have been out of touch for so long, they do not know what to do to get back in touch with the electorate."

He concluded, to Labour cheers: "Tory MPs have given up on any serious vision for this country's future. They wanted to hail this Budget as a turning-point, but the British people know better. It is another milestone on their road to defeat and the sooner, the better."

Paddy Ashdown, the Liberal Democrat leader, said that the Budget combined cynicism with irresponsibility. He said it should have been a Budget for education: "It is above all our children who will pay the price of these tax cuts. It's their future which will suffer so the Tories can dangle these tax bribes in front of what they believe to be a stupid and gullible electorate."

He told the House: "This should have been a Budget to save our schools. It is a Budget instead, for the Conservatives, to 'save our seats'. We have just heard the last shot in the locker of the Tory party. There is nothing more."

He said the message of the Government was brutally clear. "Please can we buy your vote for a penny cut in income tax. We've nothing further to

offer you."

He added: "In deciding how to respond to that offer from this Government, the people might do well to remind themselves of an old Russian proverb: free cheese only comes in mousetraps."

Mr Ashdown said Mr Clarke had produced the tax

country if they can't find the strength to vote against a tax cut designed for the short-term interests of the Conservative Party?" he said.

"I respect Tony Blair, but if his party joins the Tories in this crazy competition, this auction of fantasy tax promises — anything you can tax, I can tax lower — then the people who will suffer most are the poor and the deprived and the dispossessed."

Mr Ashdown said that the Government seemed to think that people would be fooled again, and not remember what happened last time tax cuts were offered. "But I believe the British people aren't going to be conned by this Budget," he added. The electorate were not naive enough to be fooled into the Chancellor's "live now, pay later" policy.

He wondered why the Tories wanted to win the election. They had exhausted their energy and the country's patience. "If they got power again they wouldn't have a clue what to use it for, except of course, for themselves."

6 Tory MPs have given up on any serious vision for this country's future

cut by a "sleight of hand", by increasing borrowing, putting at risk the economy's long-term future.

The Liberal Democrat leader attacked Labour's plan only to abstain on the 1p tax cut: "How can Labour claim to be strong enough to look at the long-term interests of the



Tony Blair told the House that after 16 years the electorate could no longer be deceived

6 It does nothing about unemployment, social division and decay in Britain today

people back 1p on the standard rate after taking 7p." Mr Blair said that after 16 years of Conservative rule, the electorate were no longer deceived by the Tories who were "masters of political deception".

He told the House: "The people of Britain aren't novices in dealing with the Tories. They're battle-hardened to-day. Their innocence has given way to experience, their faith to mistrust."

He added: "And they know that whatever promises were made before the last election, and those promises are identical to the ones made today, we ended up with the largest peace-time tax rise in British history to cover the largest borrowing in British history."

Opening the debate on the Budget, he said that, under the Conservatives, one hand might hold open the public purse, but the other was "usually in the citizen's pocket".

He mocked the Chancellor's promise that Britain would soon become the "enterprise

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BUDGET 95

Britons ponder: do we roll out the barrel or reuse the teabags?



■ Living on a pension and a few modest investments, Mr and Mrs Penury wish they had switched from tobacco to marijuana when their children were experimenting with drugs back in the Sixties. Marijuana is now almost as cheap and certainly a more cost-effective stimulant than tobacco. At least the small nest egg in the building society will swell faster now that tax on the interest has been cut to 20 per cent. Not selling off the antique Ford Zodiac means they will benefit from the abolition of road tax on cars more than 25 years old. But the Zodiac's preferred fuel will now cost another 3p a litre. If they ever need long-term residential care, they will be better off now that the upper assets limit has been doubled to £16,000.



■ Life is hard enough for a single mother, and the incentive of a £70 rise in the married couple's allowance is not the most startling catalyst Mr Clarke could have devised to sweeten Miss Living-On-The-Breadline's life. Probably time for her to dump the Benson & Hedges and learn to smoke a pipe. She was interested to hear Mr Clarke declare that he had crafted a prudent Budget to strengthen Britain's already perky economy, until she discovered this was Chancellor-speak for "with luck these sweeteners will see us through the next election before all the dykes burst". Still, childcare allowance is up and changes for low-income tax payers should mean there is even less chance of her having to pay tax on her meagre income.



■ The Gettings-Bys, Charles and Cynthia, don't smoke, drink little and are not impressed by the extra spending on schools, police and the health service, none of which will ease their weekly budget. Teetering on the edge of negative equity, they are disappointed but hardly surprised at no change in mortgage interest tax relief. They run a small car to enable Cynthia to get to her morning secretarial job while she leaves the children with her mother, but they reckon that the small reduction in income tax will be largely eaten up by the increase in petrol. The Gettings-Bys would like to take out a long-term care policy for Cynthia's elderly mother, but they have enough trouble paying for their own basic house and contents insurance.



■ Okay, so two cars and a second home was ambitious, especially on a combined salary of £60,000. "You have to be in the game to win the game" is the social climber's motto, and where would you flee at weekends if you didn't have a cottage in Gloucestershire. The cottage is now worth less than the mortgage, and Mr and Mrs Socially Mobile hope Mr Clarke was right when he put his trust in a general economic recovery to revive the property market rather than on specific measures to give house prices a bit more zip. They're looking on the bright side: wine prices are unchanged and 5,000 more police are being hired over the next three years — handy for when Mr and Mrs Socially Mobile have something worth stealing.



■ Rather tricky, all this about simplifying and rewriting the tax laws; some ancient tenets should never be meddled with, according to Ms Entrepreneur, particularly the one that dictates that the clearer a piece of tax legislation, the less chance your accountant can wrangle you tax relief. Lifting the inheritance tax threshold to £200,000 was kind, but Ms Entrepreneur will still rely on her tax lawyers to keep her cash safe. Running a company of her own, she is pleased with the cut in employers' national insurance contributions, and might grant share options to her employees, now that the Chancellor has made it more attractive. She also thinks it was sweet of Mr Clarke to cut corporation tax for small firms.



■ Lord Stately Pile took a stiff Grouse and his wife a copious Gordon's as they gazed from the Green Drawing Room at the Range Rover, wishing it was 25 years old rather than a battered 15. Still, the £5 road tax increase would be paid for by the saving on his next 18 bottles of scotch — and saving £135 road fund licence on daddy's 1960 Bentley Continental would keep the old trout in gin for at least a couple of months. There was a chance of restocking the cellar as wine duty is frozen, and the hope of passing on a tad more of the ancient acres to the son and heir. But with the inheritance tax threshold raised to a paltry £200,000, he may yet have to turn Capability Brown's artful vistas into a rival to Alton Towers.



■ Mr Worth-A-Bundle is relieved that his early money-making days of running a fleet of tipper trucks dumping the muck of London building sites in the Essex marshes were over before the Chancellor imposed a £7 a ton landfill tax. But he regrets that he is now 63 and not 53, so missing the new tax concession for selling his business. But he will accept the offer of £19,500 worth of share options in Amalgamated Widgets; small beer given that his shareholding in Middlesbrough Water can only increase in value now that the scare of a windfall tax has evaporated. He could make a further killing by investing some of his liquid assets in a new privately built prison in South Wales, or in one of those privately funded road schemes.

Gowrie condemns 'irrational' cuts in arts funding

BY ALEXANDRA FREAN, MEDIA CORRESPONDENT

ARTS and sports organisations reacted with outrage last night to news that their grants had been slashed in the Budget.

Both groups accused the Government of breaking repeated pledges that National Lottery grants to the sports, arts and heritage represented additional funding and would not be used to replace existing government spending.

Lord Gowrie, chairman of the Arts Council, described the cuts as "damaging and irrational" and demanded an immediate meeting with Virginia Bottomley, the Heritage Secretary. He added that the Arts Council would not allocate any grants for the coming year until next January, after negotiations with the Government about the cuts.

The Arts Council grant is to be cut by £5 million, to £186.1 million for 1996-97. The Chancellor also plans to reduce it further the next year, to £182.9 million. "This widens the gap between monies available to the council for capital projects through the National Lottery and our ability to sustain the activities of arts organisations themselves," Lord Gowrie said.

Jennifer Edwards, director of the National Campaign for the Arts, an independent body representing most of the big art bodies, said that the cuts would lead to the wholesale destruction of the arts.

"The public will find their theatres dark and empty of plays. It is likely that some of our greatest orchestras and companies will fold. There will be virtually no small companies left to take the arts to children in schools, to rural communities and on tour. John Major has broken every assurance he gave that the Government would not claw

back lottery cash. For electoral expediency he is prepared to destroy the artistic heritage," she said.

Rodney Walker, chairman of the Sports Council, said he was disappointed but not surprised that his budget had been cut by £2.3 million, to £47.5 million. "We will now have to look hard again at our budgets and reduce our aspirations to meet all the new responsibilities taken on by the council," he said.

Mrs Bottomley denied that the Budget cuts were a direct result of the lottery's success. "The Government has made clear that lottery funds will not be used to replace ordinary government spending. There is no question of breaking that

VOTER VERDICT

Ian Isaac, 32, who works in financial services, said: "I am slightly more likely to vote Tory. The only question is whether it is too little, too late, to save the Conservative vote."

Tony Noble, 46, owner of a FotoStop Express shop, said: "It is too little too late. It's time for a change."

Paul Lipman, partner in an estate agency, said: "I think that I would still reluctantly vote Conservative."

Carol Belsey, a mother of two, said: "After sixteen years, I think most people are ready to see what Labour can do."

Carol Crawford, 42, a single parent, said: "I am unlikely to give this Government another chance now. This has reaffirmed that they make all the right noises but there is no substance to them."

pledge. It does not, of course, mean that the areas covered by the lottery are exempt from the restraint which applies across the whole of the public sector programme."

Jack Cunningham, Shadow Heritage Secretary, said: "Mrs Bottomley has taken this opportunity to use the success of the lottery to disguise budget reductions in national heritage. The Treasury has amassed around £450 million in lottery duties since last November. Where has this money gone?"

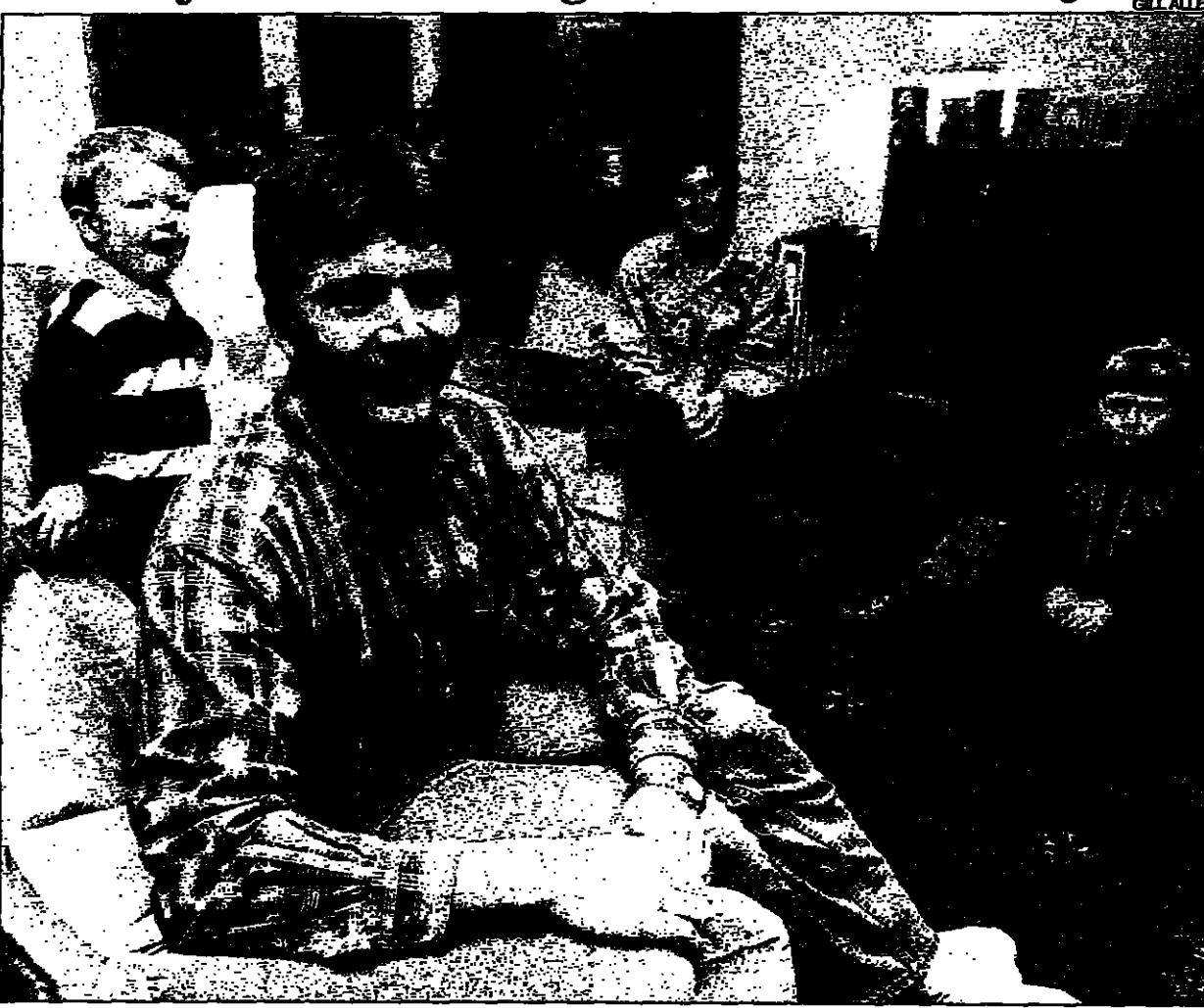
Under the Chancellor's proposals, grants to museums and galleries will fall by £13 million, to £213 million, and allocations to the performing arts will drop by £5 million, to £195 million. Heritage organisations, including English Heritage and the National Heritage Memorial Fund, will see a drop of £6 million in their grants, to £192 million.

Wilf Stevenson, director of the British Film Institute, whose budget is to be cut from £17 million to £16.5 million, the second successive annual reduction, expressed disappointment and noted the irony of a cut being made just as they are celebrating cinema's centenary.

David Barrie, director of the National Art Collections Fund, whose patron is the Queen, said it was hard to believe that there was no correlation between the cuts and the advent of lottery funding.

"On the one hand, the Government is saying that art should play a much more important role in schools and education, and yet at the same time it is undermining the ability of museums and galleries to maintain their collections, let alone expand their activities," he said.

Family man running as fast as he can just to stand still



Ian and Sally Isaac and their children: "There is no incentive to stop work and raise a family"

VOTER VERDICT

Middle-income earner: Ian Isaac is a manager in the Croydon area for Lombard Business, the leasing and asset finance arm of NatWest Bank. He is married to Sally, 32, who is taking time off as a clothing store manager to raise their children, Emily, three, and Christopher, one. He earns around £35,000. His mortgage is £70,000.

Budget hopes: Mr Isaac's family has recently moved from having one child and two incomes, to two children and one income. "I have worked hard and gained promotion and salary increases only to take myself into the higher tax bracket. I have to run as fast as I can just to stay still in terms of disposable income."

There is no incentive to stop work and raise a family. You cannot afford to stop and have kids because you lose the standard of your living."

Budget reaction: "I am disappointed he has not put me back to where I was a couple of years ago in terms of the tax I pay. He is going in the right direction in increasing thresholds although the married man's allowance increase was derisory. I am encouraged about what he has done with share options and profit-share schemes."

Tories see more cuts before 1997 election

BY ARTHUR LEATHLEY, POLITICAL CORRESPONDENT

MPs predicted last night that a cautious Budget short on dramatic vote-winning measures effectively ended prospects of a general election next year.

Backbench Tory reaction at Westminster was subdued as MPs hailed the Budget as well balanced but lacking the long-term impact on which to fight a successful election campaign. It was widely seen as setting the tone for more striking tax cuts next November in preparation for an election in spring 1997.

Many welcomed Kenneth Clarke's decision to stop short of right-wing calls for £5 billion worth of tax cuts. They claimed that such a move would

have been derided as a pre-election bribe that could have caused irreparable damage to Tory hopes of winning public trust.

While many Tories accept that taxation remains the issue that will determine whether they stay at Westminster after the next election, few believe that Mr Clarke's tax package would be enough to save their seats.

David Shaw, MP for Dover, said the Budget was "the first step towards saving my seat" but made clear that more needed to be done. "It is the first stage in a two-Budget strategy, and although it is cautious it will please the City and is in a solid tax-cutting direction."

While several right-wing MPs complained that Mr Clarke had been too cautious, those on the centre-left said

that the Budget had underpinned traditional Conservative claims to protect public services and to manage the economy responsibly. They said that over-zealous tax reductions would have damaged City confidence and led to increased interest rates within months.

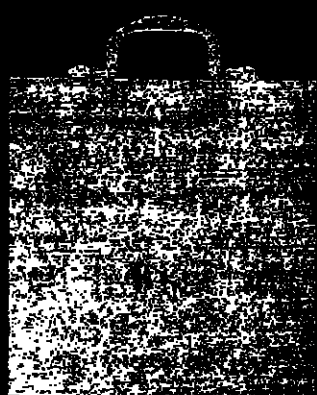
The Chancellor's announcement of increased spending on police, health service and schools drew widespread approval as a crucial step in blocking Labour attempts to portray the Budget as a tax giveaway. "This Budget won't be remembered by Christmas, let alone an election," said one former minister who added that it was more important for the Budget to be seen as responsible rather than as an electioneering gimmick. "If the headlines said 'Honest Ken's safe-hands Budget', that

would be fine." The initial reaction of the City, rather than voters, is awaited most keenly by backbenchers anxious to see interest rate cuts as the next step towards making businessmen and homeowners feel more secure.

Hugh Dykes, MP for Harrow East, said the Budget marked a victory for one Naïve Tory and praised the moves to spend more on hospitals and schools.

James Pawsey, MP for Rugby and Kenilworth, said he was delighted by the move to increase spending on schools by £878 million. "It is a sensible Budget that hasn't gone over the top."

Nirj Deva, MP for Brentford and Isleworth, said: "This is an honest Budget and people will see the difference between that and the ridiculous claims that Labour is making."



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Chernomyrdin's image-makers enlist the charms of a supermodel

FROM THOMAS DE WAAL
IN MOSCOW

OUR Home is Russia, the government party of Viktor Chernomyrdin, the Russian Prime Minister, announced yesterday its latest weapon in an increasingly bizarre election campaign: Claudia Schiffer, the supermodel.

Ms Schiffer will take part in a fashion show on December 8 in the Hotel Rossiya in Moscow organised by four international fashion houses and Our Home is Russia. "We



want to give young people what they want, to give them a chance to see their idols," said Vladimir Kiselyov, the party organiser.

Mr Kiselyov would not say

whether Ms Schiffer was aware of the political significance of her appearance. It is very likely she is not. Glenn Hughes, the former guitarist with the group Deep Purple, said last week he had no idea that he had just played in a concert in support of Mr Chernomyrdin.

Many of the other 42 parties competing for the Duma on December 17 have resorted to attention-grabbing songs and advertisements in what is Russia's first Western-style television campaign. A small

industry of image-makers has mushroomed overnight. Opinion polls say voters are tired of the dissidents and intellectuals they voted into parliament in the last years of Mikhail Gorbachev. Now they want tough military-style politicians. "The need has grown for a father-leader, who will show the way, who will explain what is good and bad and even mete out punishment," said Yekaterina Yegorova, a psychologist turned "image-maker".

Aleksandr Lebed, the former commander of Russia's 14th Army and one of the leaders of the nationalist movement, the Congress of Russian Communities, stars in a television advertisement, in which a man gets a wad of money out of his briefcase and passes it across a desk to a bureaucrat. Prison bars come crashing down on the screen and the general says in his deep growl: "I strongly advise you not to."

Vladimir Zhirinovskiy, the eccentric ultra-nationalist, who topped the poll in the

1993 election, is pandering unashamedly to the male voter. In one advertisement a night-club singer sings the song "Vladimir Volfovich is my idol" and unzips her dress, while a screen flashes images of the leader behind her.

Fearing a landslide by the communists and nationalists, a group of liberal-leaning spin doctors has formed Russia's first Association of Political Consulting. Its avowed aim is to help centrist and liberal parties to maximise their vote. "There is a strong

element of messianism in Russian society," said Sergei Kolmakov, one of the founding members, arguing that moderate forces needed all the support they could get.

Mr Chernomyrdin's party has concentrated on the themes of stability and has covered Moscow with posters in which the Prime Minister puts his hands together to form a roof and the slogan underneath says: "If your house is dear to you." A song reinforces the message.

The Russian liberal reform-

ers, such as the party of Yegor Gaidar, the former Prime Minister, Democratic Russia's choice, are the spin doctors' biggest challenge. Ms Yegorova said Mr Gaidar, a small and plump, but intelligent Moscow-born economist, was an image-maker's nightmare. One Gaidar advertisement shows the party leader walking along a railway line in a suit and tie. "What associations does a viewer have with that?" asked Ms Yegorova critically. "Suicide and despair."

Clinton appeals to nation for backing over Bosnia force

By TOM RHODES AND OUR FOREIGN STAFF

PRESIDENT CLINTON tried to persuade a sceptical Congress yesterday that the United States must lead the peace in Bosnia after telling the public he would take full responsibility for sending 20,000 soldiers to the region.

Mr Clinton met congressional leaders of both Houses to reinforce the message that he had spent 20 minutes delivering to the electorate the previous night. He hopes this will convince Republican opponents of the need for American involvement in Bosnia-Herzegovina.

"We must not turn our backs on Bosnia now," Mr Clinton said in his tenth and perhaps most hazardous televised address since taking office. "I ask all Americans, and I ask every member of Congress, to make the choice for peace. In the choice between peace and war, America must choose peace."

The President said the troops' mission would be limited to about a year. William Perry, the Defence Secretary, said yesterday that the United States will send up to 700 troops to Bosnia within a week to set up headquarters and communications for the Nato force, expected to be sent when the peace agreement reached in Dayton, Ohio, last week is signed in Paris next month.

Mr Perry, disclosing details of Nato's military operation, said that a total of 60,000 troops would be sent. He told reporters who travelled with him to Brussels for a Nato defence ministers' meeting that the force would include a multinational division of more than 25,000 soldiers, mostly Americans, from up to 11 countries, including the Nordic nations, Turkey and Poland.

He added that if plans proceed on schedule for the Paris ceremony, the American advance contingent will be accompanied by a similar

number of other Nato soldiers to prepare for the mission.

Mr Perry, who held separate meetings in Brussels with General Pavel Grachev, the Russian Defence Minister, and Charles Milon, his French counterpart, said: "Our troops will be as ready for military operations as they have ever been" adding that well over half the planned American force had been practising in Germany for more than two months in preparation for the Bosnia mission.

He said that the main Nato force would begin moving into Bosnia within two days of the Paris signing and that half the American contingent of 20,000 would be in Bosnia within three or four weeks after that. The rest would be there by mid-February. The American-led multinational division will

have its headquarters in Tuzla, north of Sarajevo.

Mr Perry said that the division would consist of the 20,000 American troops under the command of Major-General William Nash, and more than 5,000 soldiers from Denmark, Norway, Finland, Sweden, Estonia, Latvia, Lithuania, Turkey, Poland and probably Russia.

Separate contingents of 12,000-14,000 troops from Britain, and 7,000-9,000 from France, would also serve in Bosnia as well as troops from more than a dozen other nations.

"There may be a Polish battalion with the Nordic brigade," he added. "It's still being worked on." Besides the Nordic brigade, Mr Perry said that there will be a Turkish task force of 1,200 troops.

In his televised speech, the President acknowledged that the venture would not be without risk. "No deployment of American troops is risk-free and this one may well involve casualties," he said.

"I assume full responsibility for any harm that may come to them," he added. "But anyone contemplating any action that would endanger our troops should know this: America protects its own. Anyone who takes on our troops will suffer the consequences. We will fight fire with fire, and then some."

The final Nato plan for the operation will be sent to Mr Clinton this week during his visit to London and Ireland, which starts today. If he approves it, the President said he would send the document to Congress immediately, with a request for a non-binding expression of support similar to the one President Bush received before the Gulf War.

Congressional hearings on the use of American troops in Bosnia started yesterday.



Clinton: "America must choose peace"

Leading article, page 25



Striking French railway workers invade the tracks at Lille yesterday on the fifth day of disruption to the country's train services

French strikers storm their boss's office

FROM BEN MACINTYRE IN PARIS

WHEN several hundred striking workers stormed into his office yesterday, Roland Bonaparte, director of railways for the northern region of France, might have been forgiven for wondering whether some sort of 1995-style French Revolution had begun.

The strikers, who fear cuts in rail services as part of a restructuring package, began assembling at the Gare du Nord before dawn — men with grim expressions wearing the designer leather jackets much favoured by French protesters.

On the fifth day of a strike that has paralysed France, the men, train drivers from the Communist-led CGT union, then tried to prevent the day's first Eurostar train from leaving for London by climbing on to the tracks. Outnumbered by police, who politely but firmly escorted them away, and by now rather chilly, the strikers repaired to a nearby café for strong coffee and still stronger political debate.

While many CGT rank-and-

file members are card-carrying Communists, the talk yesterday was of benefits, wages and job-security rather than the class struggle. "The press tries to make us out to be revolutionaries, but we are just defending the same rights our parents had," said Gerard Courty, a train driver who was up at 4am to avoid the traffic

chaos he and his fellow strikers meant to create.

"We can strike for as long as it takes. It's the French way," said Gilles Faraud, a communist train driver, chain-smoking over a steaming café-au-lait. "Juppé must go," he added, as if the Prime Minister had caused him some personal and unforgivable af-

front by attempting to reform the welfare system.

A substantial breakfast was followed by a symbolic and unanimous vote to continue striking. Then someone suggested the "bosses" should be given a talking to and, like a small leather-clad army, the yelling strikers charged through the empty station and up the elegant early 19th-century stairs of the grand SNCF executive offices to converge on the hapless M Bonaparte.

The striking workers produced a portable and wholly unnecessary public address system — "we always carry these, in case democracy needs a voice," one said — and insisted that the railway executive use it to explain the expected government plans to overhaul the SNCF by cutting jobs, controlling wages and improving productivity.

M Bonaparte, whom the strikers insisted on calling "Monsieur Bonaparte", visibly nervous, launched into a

complicated explanation of why the rail company, with debts of Fr175 billion (£23 billion), required restructuring. He was immediately drowned out by barking from his uninvited audience.

After half an hour of rowdy argument, the strikers stubbed out their cigarettes in his ashtray, then filed out again, chanting anti-Government slogans and teasing the bemused secretaries. The only casualty from the improvised protest, apart from M Bonaparte's nerves, was one of his rubber plants, crushed in the mêlée.

Back in the street, however, the strikers faced a problem. With the Metro and buses reduced to a standstill and no taxis to be had, how were they going to get from the Gare du Nord to the start of yesterday's protest march, several miles away on the other side of the city? M Courty grinned, as if the problem had only just occurred to him. "I suppose we'll have to walk," he said.



Strikers at Lille wearing carnival masks yesterday

Algerian general shot dead

FROM REUTERS
IN PARIS

GUNMEN killed an Algerian army general on Monday, the Government said yesterday, the first major attack since the presidential elections 12 days ago.

General Mohammad Boutighane, the most senior army officer to be killed in four years of civil strife, was shot dead while shopping in the Birmandrie suburb of Algiers, the official APS news agency said, quoting a Defence Ministry statement.

The 59-year-old general, who was the commander of Algeria's national coast guard service, died of his wounds shortly after he was taken to the main army hospital in Algiers, the statement added.

His killing came nearly eight hours after President Zeroual took the oath of office in a ceremony attended by about 500 dignitaries, including army leaders. Up to 50,000 people have been killed in Algeria's violence since early 1992.

Greeks stage hospital vigil as Papandreou fights on

FROM MALCOLM BRABANT IN ATHENS

REPORTS of Andreas Papandreou's imminent demise have proved to be premature as he plays out a prolonged final scene in the style of other stubborn European leaders such as Franco, Tito and Brezhnev.

Yesterday, the ninth day of the 76-year-old Greek Prime Minister's treatment for pneumonia, he was again placed on a dialysis machine to counter-act kidney problems that surfaced on Monday when he suffered an allergic reaction to a small blood transfusion.

Professor Gregory Skalkas, Vice-President of the Onassis Heart Centre in Athens, yesterday described the Socialist leader's condition as "relatively stable" and said that he was satisfied with the state of Mr Papandreou's heart, which has been weak since he underwent surgery in London in 1983.

Before his relapse, Mr Papandreou had been on his feet in the intensive care unit and talking, but the Prime

Minister suddenly began to shiver after being given the new blood. He developed breathing problems, and this affected his kidneys.

Cabinet ministers rushed to the hospital, as did his children and Margaretta, the wife he divorced to marry Mimi, his former air hostess mistress.

Mimi has been at his bedside constantly and, in keeping with her recently-fused Orthodox faith, has been visiting the hospital's chapel.

About 300 members of Pasok, the socialist party, gathered outside the hospital to provide moral support and much more. As they learned that he was connected to the dialysis machine, some offered blood for transfusion and others volunteered to donate a kidney.

The gathering had the air of a vigil, but the crisis passed after midnight when Tele-machos Hittis, the government spokesman, announced that the Prime Minister had

been removed from the kidney machine and had asked for ice cream, no doubt to soothe a sore throat aggravated by breathing tubes.

Mr Papandreou's iron will, and his history of survival make it impossible to write him off, but most commentators believe that he will not recover sufficiently to be able to run the country again.

There has been a slight paralysis of government business," one diplomat said. "It is a bit of a rudderless ship, and behind the scenes there's a seething mass of people jockeying for power."

Politicians and newspapers are becoming increasingly concerned about the power vacuum. The budget may have to be delayed; it is unclear who will represent Greece at next month's European Union summit in Madrid; and there has been no final decision on Greece's promise to contribute troops to the peacekeeping force in Bosnia-Herzegovina.

McEnroe sings a new tune

New York: John McEnroe, the gifted but irascible tennis star, has a new career as a pop singer (Quentin Letts writes). His four-piece band hopes to release an album next year.

"Music is so much more fun," said the would-be rock star, who still plays exhibition games and works as a sports commentator. "I am trying to break away from tennis." One of his songs is titled *You Can Not Be Serious* — his celebrated comment to a Wimbledon umpire who failed to meet his approval.

Tapie given jail sentence

Paris: A French appeals court gave Bernard Tapie, the bankrupt tycoon, politician and former boss of Marseilles football club, a two-year jail sentence, of which 16 months were suspended, for rigging a match (Ben Macintyre writes). M. Tapie, who remains a member of the French and European parliaments, was also banned from seeking political office for three years.

Boxing arrests

Cape Town: South African police said they were questioning four men about the murder of a cashier at a boxing match here between Warren Stowe of Britain and Simon Maseko of South Africa. The four attempted to steal the takings of the middleweight clash. (Reuter)

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New-look styling and bright primary accessories give the pinstripe brigade a sexy, feminine edge

City girls look slick and slimline

The bowler hat aside, the pinstripe suit must surely be the ultimate trademark of the City gent. However, far from being merely the predictable uniform of big business, the pinstripe suit has become the inspiration for women's wear designers. The essentially masculine silhouette provides a strong alternative to the ladylike looks on the catwalks this season.

The pinstripe trouser suit for women is far from dull. It comes in every shade of grey from dark charcoal to pale dove, as well as brown and black. Although colours may differ, there is a consistency to the cut: slim, slim, slim.

Jackets (whether long or cropped) are cut close to the body and curve in to the waist, while trousers are narrow. The trendier designers offer exaggerated, skinny drainpipes, while the more wearable option is a gently tapered trouser which achieves the desired effect. Only Giorgio Armani, with his unique vision, offers a more fluid silhouette, with a wider, softer trouser.

The length of the jacket is very much a personal choice, as designers and retailers have everything from traditional double-breasted styles (Katharine Hammett, Yves Saint Laurent, Krizia and Jaeger are especially good) to single-breasted, abbreviated shapes which end on or just above the hip bone (see examples from Monsoon and Sahza pictured). Once again the most fashionable length is the most radical: the long drape jacket (see DKNY picture) has all the makings of a little coat.

The designer Romeo Gigli loves taking the traditional and turning it into something truly remarkable. His latest collection features pinstripes cut into straight-leg hipsters, ankle-skimming coats, tailored jackets with velvet and leather collars and others with flounced and panniered hems. Gigli even offers an evening variation: a slim-fitting, double-breasted high-waisted jacket in gold and chocolate brown silk. Delicious.

Uptown New Yorker Ralph Lauren has borrowed the pinstripe look from the flash dealers on Wall Street, but cuts it with an undeniably sexy edge. His jackets have an hourglass silhouette with a positively wasp waist.

Ultimately what gives the pinstripe suit a definite femi-



Fashion journalist of the year

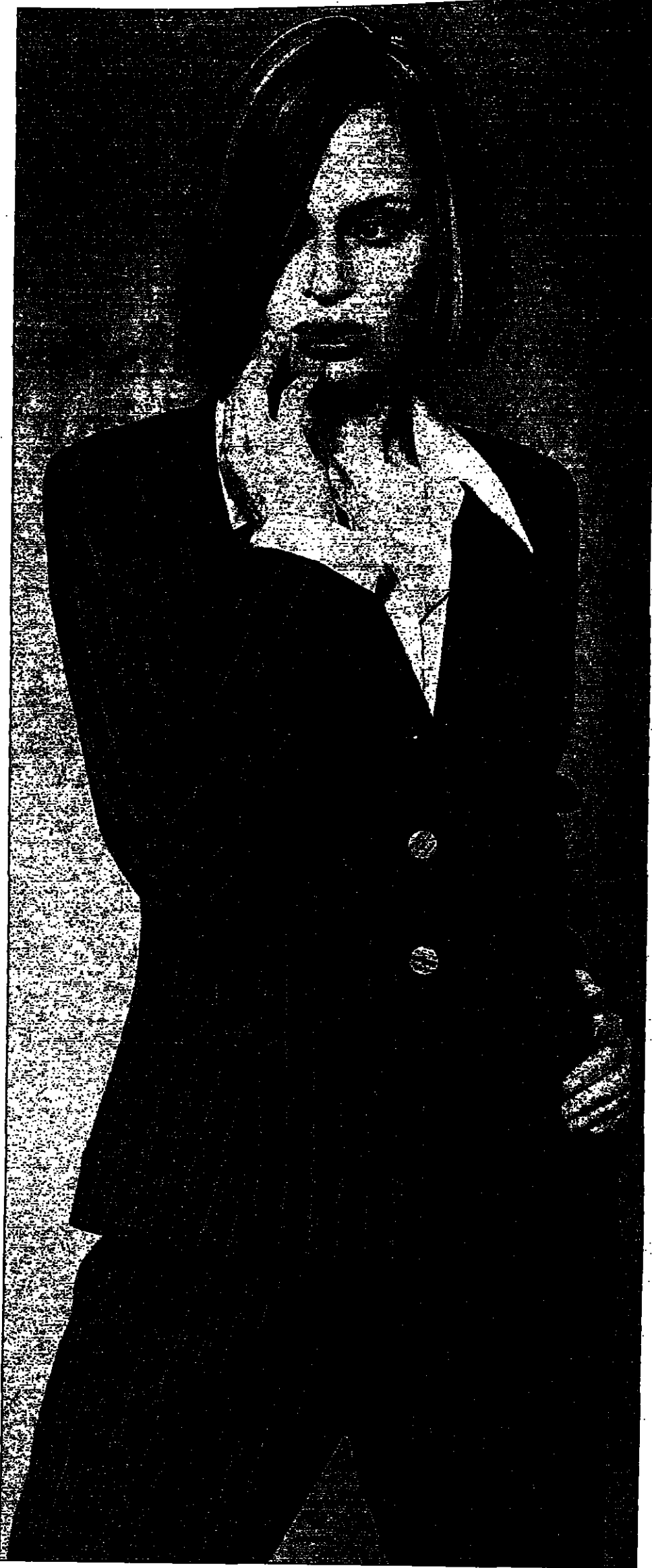


IAIN R. WEBB



nine touch is the new-look styling and accessories. Taking the lead from Gucci's colourful (and extremely influential) collection, the sombre suiting should be worn with bright and shiny satin shirts, or even a fluffy mohair pea coat. Primary shades are favourite. Do not mix them but keep the colour constant throughout, as with the red coat, shirt and belt pictured right.

Dress the look up even more with high-heeled shoes. Russell & Bromley does an excellent approximation of Gucci's ever popular high-heeled snaffle loafer, or choose the kitten-heeled court shoe which is everywhere this season.

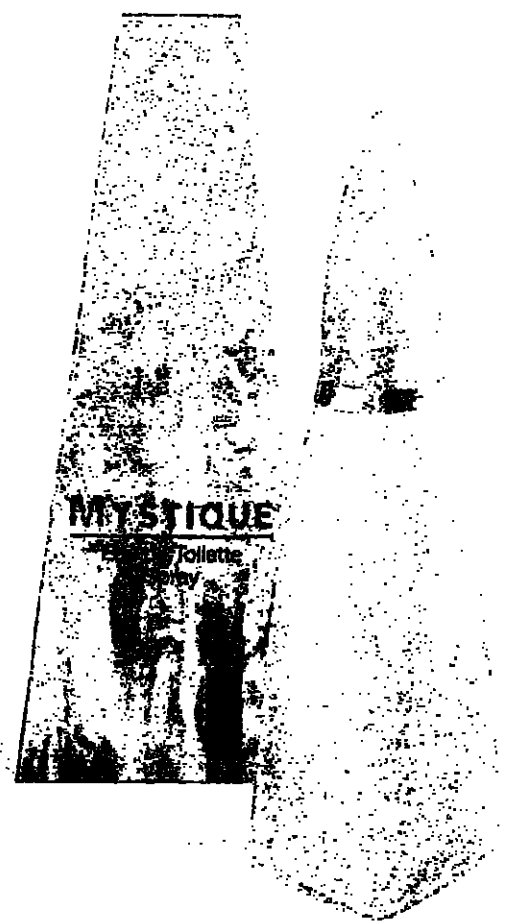


Photographs by JONATHAN BOOKALLILL. Make-up Ruby Hammer, hair James Dodds

ABOVE: Pinstripe jacket, £110; matching trousers, £65, Monsoon, 264 Oxford Street, W1 (0171-313 3000). Silk shirt, £69, Liberty Collection, Liberty, Regent Street, W1 (0171-734 1234).
LEFT: Pinstripe jacket, £395, matching trousers, £250, DKNY, 27 Old Bond Street W1 (0171-499 8069). Satin shirt, £24.99, Topman (0171-291 2351). Kitten heels, £195, Sensa, 23 Brompton Arcade, SW3 (0171-584 3484).

FAR LEFT: Suit, £390, Sahza, Fenwicks, Bond Street, W1, Harvey Nichols, SW1 (0171-629 5592). Pea coat, £99, Benetton (0171-731 4564). Silk shirt, £69, Liberty Collection, as above. Shoes, £99.50, Russell and Bromley branches (0171-629 6903).
FAR LEFT ABOVE: Grey jacket, £49.99, Freemans mail order (0800 900200). Silk shirt, £69, Liberty Collection, as above.

CHOCOLATES, DIARIES, SLIPPERS. WHERE'S THE MYSTIQUE?

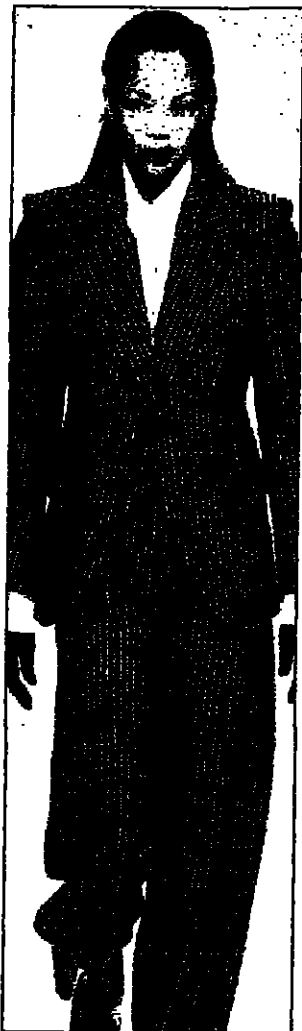


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KRIZIA (centre): avant-garde styling
YVES SAINT LAURENT (right): ultimate city chic
Catwalk photographs by CHRIS MOORE.



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TRAVEL section

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THE TIMES

Clarke has done for the Tories

This Budget may suit the Treasury, but it won't win votes

Tory Blair got it right. "If this Budget was supposed to relaunch the Conservative Party, it will fail." Already the details are slipping from the public mind, apart from the penny off the basic rate of income tax. Let us catch them as they slide rapidly into oblivion. This was the Budget which cut the price of whisky by 27p a bottle and raised the price of strong cider by 8p a pint. This was the Budget which promised to abolish capital gains tax and inheritance duty, but not yet. This was the Budget which was going to make Britain the enterprise centre of Europe by reducing the tax on employment by 0.2 per cent. This was the Budget which promised to eliminate the public sector borrowing requirement by the end of the century, but in the meantime provided for a PSBR of £22.5 billion in 1996-97. This was the Budget which reduced taxes by a net £4 billion, which sounds like a big figure until one calculates that it amounts to £1.30 a week per head of the population — not quite enough to buy all the issues of an evening paper.

Very few Budgets have changed the momentum of politics. Perhaps Lloyd George's "People's Budget" of 1909 did so: at least that caused two general elections and the end of the veto power of the House of Lords. Even that Budget did not seem very exciting to everyone at the time.

William Rees-Mogg

Margot Asquith, the wife of the Prime Minister, described it as "an ingenious, complicated, perfectly sound measure, with a touch of *art nouveau*". Kenneth Clarke is no Lloyd George, his Budget certainly lacked the touch of "art nouveau" whatever Margot Asquith may have meant by that. Though neither ingenious nor complicated, this Budget was not perfectly unsound. Given his limited sea-room, the Chancellor has in fact manoeuvred very little. He has cut expenditure a bit, he has raised taxes a bit, and he has raised taxes a bit.

To a Treasury official this will seem a job well done. The Treasury always fears that a pre-election Budget will be too political, that expenditure will be increased and taxes cut in order to win votes. A pre-election Budget which does so little, and does it in so even-handed a way, will come to the Treasury as a great relief. But the approval of the official world is little help in the political one. The Chancellor's colleagues will be asking whether he has done enough to start the recovery for which the Government has been praying for the last three years, not the recovery in the economy, but in the polls.

As for the economy, nobody really knows what it is going to do next. The Chancellor himself admits that the recovery has been slowing down, not only in Britain but in Europe and America. He forecasts that the GDP will rise by 3 per cent next year, as against 2.75 this. His forecast may be

right or wrong — the consensus forecasts in the 1990s have had an average error of well over 1 per cent a year. Perhaps the world recovery is just pausing, and will resume; perhaps the present build-up of stocks and the slowdown of exports is the prelude to a new recession. Nobody knows — not the Treasury, not the Bank of England, not the outside experts, not the Chancellor, not the Governor. In such circumstances, a cautious and drab Budget may even be quite justified, most, though not all, of it would probably have been much the same if Labour had been in office, advised by the same officials.

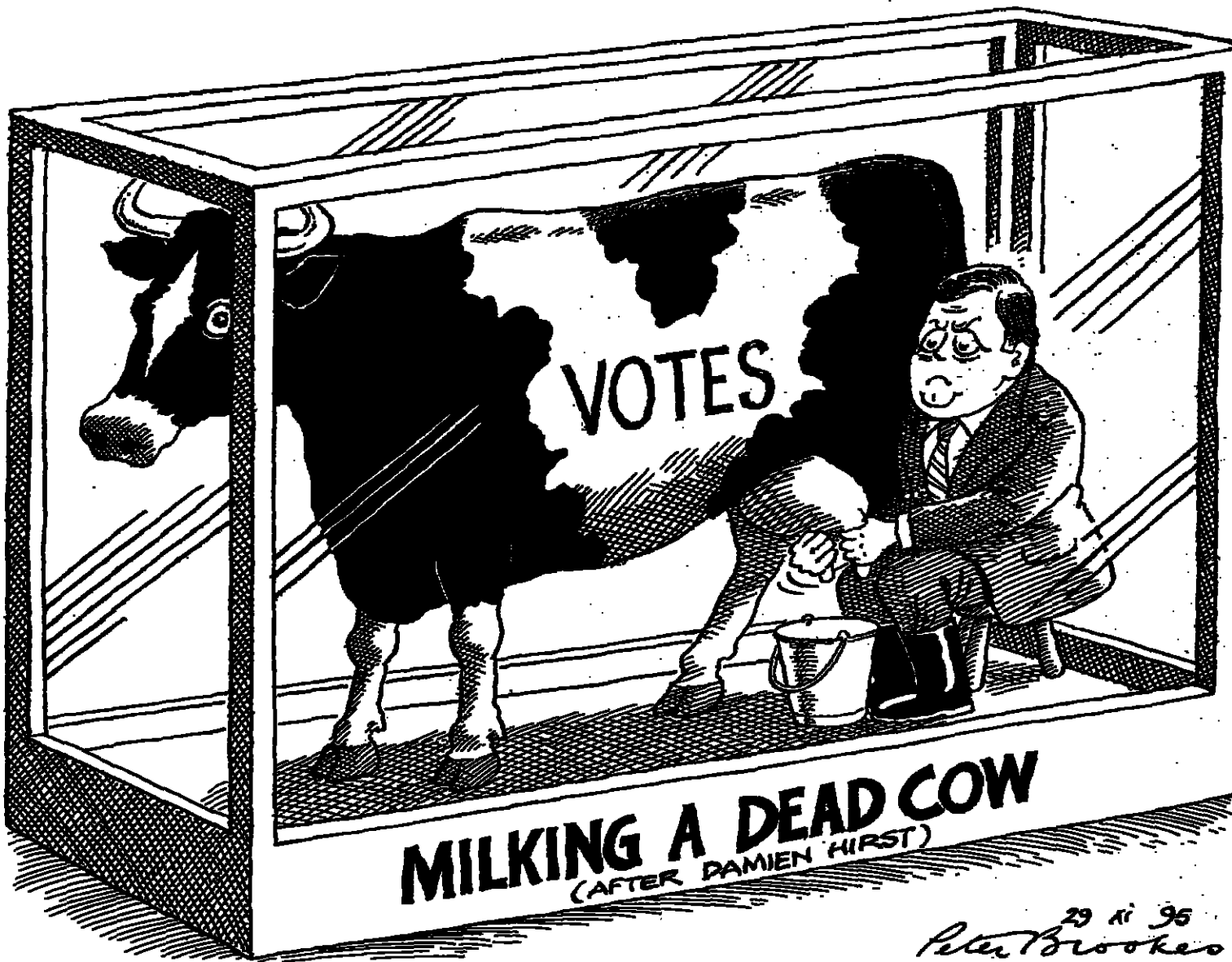
The politics are much easier to read. In the past 50 years the Tories have suffered two massive election defeats, one in 1945 at the end of 14 years in office, the other in 1966 shortly after a 13-year period. Now they have been in power for 16 years, and the electorate is showing every sign of the same ballot-box equivalent of metal-fatigue. Labour is about 30 per cent ahead in the polls.

In 1945, Labour's lead in the actual vote was 8.5 per cent and the Conservatives held only 213 seats in the new House of Commons, against a Labour majority of 180; in 1966, Labour's lead in votes was only six per cent, which resulted in 253 Conservative seats and a Labour majority over the Tories of exactly 100.

It follows from these figures that the Conservatives could reduce the current Labour lead by 20 per cent and still suffer a landslide defeat on the scale of 1945. There was therefore great pressure for a Budget which would indeed do something to relaunch the Conservative Party, if that were possible. Kenneth Clarke plainly thought that it was not. He may have done for them all with his plan of attack.

But the real strategy of this Budget looks much more like one of decent defeat. After the election, supposing it is bound to be lost, Tories will be able to point back to the Chancellor's themes. Inflation is supposed to be below 2½ per cent by the end of this Parliament; the PSBR is supposed to fall to zero by 1999-2000; the standard rate of income tax is supposed to be cut to 20 per cent; capital gains tax and inheritance duty are supposed to be abolished; public expenditure is supposed to be stable for the next three years in real terms; the Chancellor has promised to cut public expenditure to 40 per cent of GDP and has actually — one pauses for an intake of breath — reduced it to 42 per cent next year.

These presumably will be Tory themes from the Opposition benches in the next Parliament. In real politics, promises are not substitutes for action. Tony Blair is right. Promising to do the right things in the next Parliament — things which ought to have been done in this one — is not going to save the Tory party, or even start a recovery.



Anatomy of a lie

Clarke and Brown are both wrong: people would rather pay more income tax

Yesterday Kenneth Clarke honoured his commitment to his party. He cut direct taxes and ran for cover. Pre-election Budgets are degenerate political events. But Mr Clarke is not a degenerate man. Entombed in Fortresses Treasury and in weekly combat with "the markets", he sees beneath his window only a sea of grasping hands. This year, with public borrowing soaring above target, he could afford to toss out mere morsels. But he did the one thing the party asked of him. He cut income tax.

I am baffled. It is holy writ in the Conservative Party that one only wins elections by cutting this tax. Governments can increase borrowing, raise VAT, raise the cost of petrol, drink and tobacco and let corporation tax go hang. Gas and electricity prices can soar. Interest rates can be left to market forces. But the basic rate of income tax lies on the party's standard as the Great Statistic. Like the price of a loaf to a medieval monarch, the basic rate marks out the boundary between public contentment and rioting in the streets. Only cut the basic rate and a Tory activist sleeps sound in his bed at night.

These people must think the public a bunch of liars. Ask the British people and they overwhelmingly prefer more public spending on hospitals, schools, public investment or training, instead of lower income tax. Even a majority of Tory voters say so. Mr Clarke says they are lying. He believes that when a voter enters the privacy of the polling booth and gazes up at the black curtain, he sees only his P45 and a disembodied Mr Clarke intoning, "Remember the money, vote for the money, vote greed". At this, so Mr Clarke claims, the voter confesses his duplicity, crosses himself and falls sobbing on the table. A tearstained cross goes against the Tory candidate.

Mr Clarke is not alone in his belief. Labour's Gordon Brown thinks the same. Mr Brown wakes at night with different hobbles hovering over him. They scream, "You are the party of high taxation". No, no, he cries and summons an instant press conference. Last week he even proposed cutting the lower band from 20 per cent to 10 per cent. On no other policy has Mr Brown been so specific. Labour may be the party of public service, but Mr Brown will never say so. No threat may be made to squeeze, or even pinch them. No pips

must squeak. Middle England's polls may speak what used to be Labour policy — higher taxes to pay for a better welfare state — but Labour thinks like Mr Clarke. It thinks Middle England has lost its marbles. None of us likes to be accused of lying. So let us look at the evidence on which both Mr Clarke and Mr Brown are now staking out the battleground for the next election. The British already have the lightest personal tax rates in Europe. On what basis do these two champions, and their party leaders, want the rates to be lighter still? I believe there is no evidence. Politicians, like generals, are still fighting old wars.

All polling organisations now survey policy preferences. The most thorough is that conducted by British Social Attitudes, and its latest poll reported last week. It is unequivocal. Over a half of those surveyed (58 per cent) want taxes to rise in order to supply better public services. A further third want taxes and spending to continue at present levels. Just four per cent want taxes to be cut and less to be spent on public services.

This is not a constant phenomenon over time. There has been a marked drift away from a desire for lower taxes, notably under John Major. Back in 1983, most Tories wanted taxes to be kept constant, although already a quarter said they were ready to pay more for better services. Today almost half of Tory respondents (46 per cent) go for the higher-tax option. This tallies with an ORC poll in October which had 72 per cent of Tory voters saying they wanted Mr Clarke to raise spending on health and education rather than cut the basic rate.

A MORI poll in October offered voters a hypothetical "tough" Budget choice of a rise in income tax, a rise in VAT or a cut in public spending. Respondents went strongly for the rise in basic rate income tax, with high earners as emphatic as low earners. Mr Clarke has defied them all.

Simon Jenkins

If this is all a lie, it is a sophisticated one. Much money has been spent trying to nail it. When asked on what they would like higher taxes to be spent, people list health and education before social benefits, industry and police. In other words, they will pay higher taxes to get the security that the welfare state brings to them. This preference transcends income levels. Those "comfortably off" are as keen on higher taxes as those admitting to "financial difficulties", although the poor understandably give social security greater priority.

Messrs Clarke and Brown will still have none of this. They claim to have political X-ray vision and to see black mendacity deep in the electorate's soul. While voters may wish the Government to raise more in taxes generally, they point out that in other polls roughly three-quarters of taxpayers think that they personally pay "too much" in tax. Though this may be significant, even this is changing. Dividing the electorate into low, middle and high income groups, Social Attitudes found that all now agree that taxes on high incomes have been cut too far. If there are to be cuts, they should be at the lower end of the scale. It is as if the great Lawson tax-cutting bonanza had finally bred a guilty conscience.

In 1983, a third of the rich thought they paid too much in tax, and a third thought they paid too little. But even this astonishing result pales alongside the present finding. Today only 13 per cent of the upper third of income earners think that they pay too much, and more than half actually claim to be paying too little. I do not believe this has much to do with conscience. It has to do with insurance psychology. Better-off Britons now regard public expenditure as being in their interest, and they link this expenditure with taxation. They have signed up to an improving welfare state, and accept that they must help to pay for

it. They are not philanthropic, but not are they stupid.

The Tories think this is untrue. Perhaps some of it is. The public claims to put the statements of politicians in the same league of deviousness as those of journalists and estate agents. Perhaps politicians and journalists should treat the public in the same fashion. Most politicians secretly think that public opinion is wild: that the average voter does not know what to think until he or she has read a newspaper, and will say anything to get a pollster off his back. People lie about their voting intention. Why should they not lie about taxes?

The Labour Party has done in-depth polls in which voters swear blind that they believe in high taxes and high spending. But they admit that other people might be less public-spirited. They suspect that promises of tax cuts might induce someone else vote Tory. Nor are they sure of the old Labour bugbear. It may not be the level of taxes that matters — the public is past believing politicians on that — but a party's perceived competence in disposing of them. Labour has always loved to spend. Tories in practice may spend like drunks, but at least they claim to dislike it. Give a Tory your pound and he will try to spend it wisely. Labour will blow it all on the unions.

Yet this is far from the talisman of the basic rate. Competence is a complicated political issue, from which both parties shy away. The politics of the basic rate of income tax is simple. It is a single figure that can be recognised, worshipped and then reduced. Irrespective of public opinion, politicians raise expectations that it will be cut. Meeting such expectation then becomes a matter of honour. In Germany, income taxes rise on a sliding scale from zero to the maximum rate. But in the theatre of the British Parliament that would be no fun.

Mr Clarke is already being criticised by his party for not having taken two pence off the basic rate. He has pleased nobody. Perhaps we should credit him with having pointed up the absurdity of playing with the basic rate. Or perhaps he is just another politician in thrall to a statistic. He has been forced to cut a tax that nobody seems to want to see cut, for no other reason than tradition. Cutting the basic rate before elections is like the state opening of Parliament. It has to happen because it always has.

Much ado about nothing

Peter Riddell

says the Tories will play it long

The one certain conclusion from yesterday's Budget is that the general election will not be held before spring 1997. That is a matter of necessity, not choice. Kenneth Clarke was tightly constrained. He wanted to appear prudent, to impress financial markets and to trigger an early cut in interest rates. But his Budget is not nearly as cautious as it looked at first sight.

His immediate aim was to show that the big tax rises of the past two years are now history. With shrewdness and flair, he has made a little go a long way. Mr Clarke wants to shore up support among core Tory groups, so measures are aimed at the elderly (and at children helping to finance long-term residential care), savers (or any rate those who regard themselves as thrifty), the hundreds of thousands who have been pushed in recent years into the top 40 per cent rate of income tax, as well as vintage car owners. But this is a building block, rather than a launching pad for an election campaign. That will have to come in a year's time, or so Tory MPs must hope.

However, the building block is not quite as solid as Mr Clarke claimed last night. As always, it is better to look at the detailed figures in the Red Book than to rely on the Chancellor's ebullience. The outlook for public finances has worsened, thanks to the slowdown in the economy and a big shortfall in tax receipts. The Budget tax and spending measures do little to correct this deterioration next year, and make it slightly worse thereafter. So forecast public borrowing of £22.5 billion next year is £9.5 billion higher than expected a year ago, and the era of balanced budgets is yet again pushed back, until well into the next Parliament.

Moreover, Mr Clarke has relied on optimistic assumptions. The Treasury is expecting stronger growth over the next 18 months than most of its independent panel of forecasters do. It has also cut the reserve for unforeseen spending items for the next two years by £1.5 billion in total compared with the same stage 12 months ago. Lower spending plans also reflect a further sharp decline in already tightly squeezed Whitehall running costs, and cuts in capital programmes.

These are all implausible in the long term, especially during a pre-election period when all the pressures are for increased spending. While there is always scope to reduce waste in central government, the projected 12 per cent drop in the annual cost of the Civil Service over the next three years in inflation-adjusted terms may be hard to achieve since trade unions will want to recoup the erosion in the earnings of public sector workers.

Cutbacks in public-sector capital investment of nearly £2 billion over the next two years are projected to be exactly offset by an expansion in the Private Finance Initiative — the Big Idea of the speech along with the often repeated refrain about Britain becoming the enterprise centre of Europe.

But the initiative has not only produced disappointing results but it is essentially a way of deferring payment. Whatever its alleged virtues in securing cheaper private sector management of projects and higher service standards, the taxpayer will still have to provide the money in the long term. It is a form of public sector hire-purchase, infrastructure on the "never-never".

The tax cuts are not all they seem either. They will certainly boost disposable income at a time when it is already recovering, and should stimulate consumer confidence, especially if interest rates fall before long. But not only are the cuts only a fraction of the big increases of the past two years, but they do little to halt the steady rise in the share of the national income taken by taxes of all kinds. That is because too much attention is paid to income tax, which only accounts for a quarter of all tax receipts. Other taxes are rising. Council tax receipts are forecast to rise by a tenth next year. Consequently, the share of national income taken by all taxes should decline a mere ¼ point to 35½ per cent next year despite all last night's ballyhoo about big tax cuts. In later years the share taken by taxes is expected to rise again to above current levels, and to above the share at the last election. So much for the tax-cutting party.

Nevertheless, the Tory strategy is to argue that whatever level of spending and tax that Mr Clarke proposes, Labour would spend and tax more. But, in the short term at least, Labour can escape this trap. The party will abstain on the main tax-cutting motions in the votes at the end of the Budget debate next Tuesday. The real dilemma for Labour is longer-term, especially after a further package of tax cuts next year.

The Budget shows how little room for manoeuvre Gordon Brown would have if he became Chancellor in spring 1997. If yesterday's package is all Mr Clarke can do with creative accounting and self-confidence, then Labour would have little scope to fulfil its ambitions.

New overcoat

KENNETH CLARKE'S performance yesterday sadly doesn't spell an end to the budgetary problems facing the Conservatives. Central Office is bracing itself for an enormous claim for new suits from the paint-splattered chairman, Brian Mawhinney, and his PPS, Alan Duncan.

Dapper Duncan refused to discuss the matter yesterday, but his claim is likely to be three times that of his boss. The cost of resuiting the chairman is expected to be between £200 and £300; Duncan's tailor-made number will cost nearer £900 to replace.

The pair were attacked by students with paint-pot outside the Commons on the day of the state opening of Parliament. There were farcical scenes as Duncan hurried after the hooligans, trying to make citizen's arrests. The pair's soiled garments were taken away as evidence, and now hang on pegs in Charing Cross police station. But whereas Mawhinney's suits come from the C&A end of the spectrum, and are as sharp as his tongue, Duncan, an oil millionaire, attends an octogenarian tailor called Dougie Mullings, whose clients have included



cut the price of whisky by 27p a bottle. He visited the Glenfarclas distillery in Banffshire last year, and yesterday sipped from a glass of the peaty malt throughout his speech. "I wouldn't wonder if a bottle or even a case weren't on its way to the Chancellor already," said a spokesman for the Scotch Whisky Association.

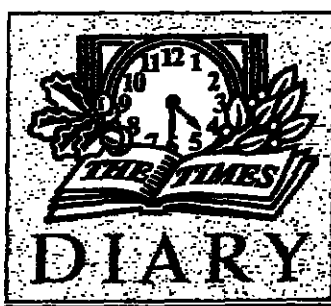
Private treaty

THE WISHFUL fancy of the American Administration that Douglas Hurd might take up the reins as Secretary-General of Nato has been dealt a blow. The wire-haired former Foreign Secretary — who now earns £200,000 a year as a director of NatWest — is taking on another job. He is planning to become a presenter for the BBC.

Discussions over a "landmark" series of six programmes about peace-making, with Hurd presenting, are at an advanced stage. "It will run from the Treaty of Versailles in 1919 to Dayton, Ohio, in 1995," explains a source.

Cod war

FISH AND CHIPS and champagne were served by Ian Greer, the high priest of political lobbyists, at the biggest post-Budget party



in Westminster last night. Greer, who has unrivalled links to the Tory party, chose to serve cod in honour of the "cod fax" sent earlier in the year by *The Guardian* to the Ritz in Paris to elicit details of Jonathan Aitken's stay at the hotel. Greer was in ebullient form as he served the fish and chips to 300 guests in old copies of *The Guardian* in an ironic tribute to his stay-ed libel action against the paper — which he is soon to revive.

Old puffers

TOM CONRAN, son of Sir Terence, followed his father into the food business by opening the Cow, a pub turned restaurant, in west London this summer. Now he is taking his old man's smoking habit seriously — he is to open a cigar club called the Havana Room,

where tutorials will be given in cigar tasting.

Tom admits he is now addicted: "My father gave me a cigar to smoke when I was eight. I turned white, then green and then was very sick, but I love them now. He used to smoke them in his Porsche, and I sat in the back inhaling."

Waist time

IT MAY BE wish-fulfilment or simply *avouardupois*, but Paula Yates's famously tiny waist seems to have expanded. After twitting in *Heat* magazine this month about how she wanted to produce a love-child with Michael Hutchence — "I have always wanted to have a baby for the man I love!" — she seemed to be bursting out of her frock at the British Hairdressing Awards on Monday night.

"She is not pregnant as far as I am aware," says her agent, "although she does talk about it all the time. I think her tummy is sticking out because of the angle of the photograph." As the mother already of the absurdly named Fifi Trixie-belle, Peaches and Pdxie, we can only hope that Ms Yates has learnt enough sense to spare a new baby such a moniker.



Yates: name that bump

P.H.S

55 من الامل



THE CLARKE CLASSIC

A Budget for cautious Conservatives in very old cars

Had the Labour Party managed to infiltrate a fifth column into the Chancellor's circle of advisers, it could hardly have done better than yesterday's Budget. Far from being a "scorched earth" operation, which would have challenged the Opposition to reverse huge tax cuts and left it with little money to spend in government, this seems more like a careful application of fertiliser. The Budget will ensure that the economy is in sound shape for whichever party wins the next election: but it will not make such a victory easier for the Conservatives to achieve.

In this broad sense, the Budget was an altruistic one for Kenneth Clarke. Under great pressure to deliver vote-catching tax cuts, he restrained himself to a mere 1p off the basic rate with a few smaller measures in tow. This modest package may produce a warmer feeling among some restless Tory supporters. A few wavering Conservatives may come back home, encouraged by lower fears of old-age poverty and £10 a week in their pockets now. This Budget is unlikely, however, to act as the springboard for a fast recovery. Those MPs who had hoped for more must find some other reason to stay hopeful.

It is therefore altruistic in a more personal sense too. If Mr Clarke is blamed for losing the next election, the Left will suffer in the subsequent leadership battle. John Redwood will be able to claim that his own policy — a much greater assault on spending and taxes — had never been tried.

This was nothing like the Budget that it could have been. Capital spending has been reduced by £2 billion as a result of the Private Finance Initiative. That saving was promptly reallocated to health, education and the police. The remaining public spending was merely kept to the cash limits that had previously been agreed (though because inflation has been lower than expected, spending has actually been 1 per cent higher in real terms than planned). This allowed the Chancellor to use £34 billion from the contingency reserve on tax cuts. So, despite all the protestations from ministers, there is little lasting evidence of blood on the floor.

If anything, the Budget seems to have been designed more to meet Labour criticisms than Tory aspirations. Mr Clarke made much of his belief in social conscience, a great British virtue. He trumpeted his credentials, and those of his Chief Secretary, William Waldegrave, as spending ministers in big-spending departments. Doubtless Tony Blair had to excuse from his speech his prepared gibe that tax cuts would have been better spent on health, education and law and order. He was left to complain, as Tory backbenchers would have liked to have done themselves, that the Chancellor was only giving back 1p of the 7p that had been confiscated since the last election.

This was a One Nation Budget. Give or take a pledge to vintage Ferrari owners or army housing investors, it was closer to what Gordon Brown might have produced than Mr Redwood's vision. Tories who had been told to forgive the emptiness of the Queen's Speech and concentrate on the Budget were left asking, along with Labour, "Is that it?"

Doubters again had to console themselves with the future yesterday. Surely, it was said, this would at least pave the way for large interest rate cuts. We hope so. But will it? Despite the restraint that Mr Clarke has shown in his tax cuts, borrowing is still predicted to be £9 billion higher than the Chancellor had forecast a year ago. Partly because of lower growth, and partly for a reason that no Treasury official can fathom, corporation tax and VAT receipts are significantly down. This means that the scope for interest rate cuts is worryingly small.

The Budget may have brought a little pleasure. But it has brought delight to neither the Tory party nor the City. This was the work of a Chancellor who seems confident that in a year's time he will have another chance to woo back the voters and discomfit the Opposition. This was the work of men who believe that 18 months of steady economic progress and shrill attacks on Labour will win the day. The slim Conservative majority makes that a strategy hardly less risky than the Redwood way.

WELCOME TO THE PRESIDENT

Stately politics and substantial policy

President Clinton's visit is in many respects the most important that an American President has paid to Britain since the Second World War. Not only does it come after a period of strain and change in Anglo-American relations, but the substance of the visit — Ireland, Bosnia, the transatlantic alliance and the future of Nato — is real. Differences on these issues lie at the heart of the discussions that Mr Clinton will hold with John Major. For the first time in 50 years an American presidential visit may make a difference to peace at home and peace abroad. He is doubly welcome.

Britain and America each remain the most fundamentally trusted ally of the other. However, this country sits within the European Union, America is for any British government the foreign country to which it attaches greatest importance. For all the talk about a widening Atlantic, growing congressional impatience and a recognition of greater economic might in Germany and Japan, Britain is the first country Americans count on to stand shoulder to shoulder when challenges to their own vital interest occur. By their nature, therefore, such visits are full of high ceremony and carefully rehearsed symbolism. Every President since the Second World War, except for Johnson and Ford, has felt it necessary to pay a visit to Britain. Some were here only briefly: Truman spent an informal day with George VI in Plymouth, and Kennedy called on the Queen on a "private" visit in 1961.

Others made it a state occasion with as much ceremony as television could film: Ronald Reagan, the Queen's personal guest in 1982, addressed a joint session of Parliament and returned two years later for a week of economic summitry and D-Day ceremonies. Nixon came three times, and

Carter, who arrived only four months into his presidency when the bloom of acclaim was freshest, generated unprecedented excitement in the North East with his gallant but incompressible attempt at a Geordie greeting, his cheery wave and his suit of English cloth with his initials woven into the stripe.

With each successive visit, however, a certain formulaic repetition has begun to set in. There is the call on the Queen, the colourful expedition to some nook of English life, be it Poets' Corner in Westminster Abbey or an Oxford honorary degree ceremony. And each visit is preceded by an ever larger fleet of advance-guard jumbos: the ubiquitous secret service, the anchorman and their crews, the array of briefers, spin-doctors and programme organisers. The fact of the visit is often the only matter of substance: all else has been prearranged.

Manifestly, that is not the case this time. As we argued yesterday, Mr Clinton may make a crucial difference to the stalled Northern Ireland talks — for better or worse. But not even he is sure of the outcome. Substantial work needs to be done in translating the Dayton deal into a workable and durable peace in Bosnia, and Britain has an intense interest in learning, firsthand, the degree of presidential and congressional commitment to Nato's most challenging task. How to deal with Russia and how to breathe fresh purpose into transatlantic relations remain hardly less important because the Cold War is over. Mr Clinton, his presidency having achieved more cogency and dynamism than it managed in earlier years, can use London and Ireland as a stage to demonstrate world, as well as domestic, leadership. His visit is keenly awaited.

CAUGHT BEHIND

Grey suits, white coats and baseball kit

A promise, upfront, to the weary reader. This is not another leading article about Kenneth Clarke's Budget, nor about its implications for the chertoot-smoking, single-parent, one-eyed pastry chef. It is, instead, about gloves, wicketkeepers' gloves.

Do not scoff or turn the page, for the matter is not a trivial one. As *The Times* reports today, the grey-suited priests at the Marylebone Cricket Club will soon devote their sage attention to gloves worn behind the wicket. They are right to do so, of course, for slowly, with all the incremental stealth of an innings by Geoffrey Boycott, these gloves have been getting more capacious. Like the feet of ducks or gardeners, they have acquired a webbing between the fingers, making it easier than it is already for wicketkeepers to catch balls that fly rapidly past the bat — or those which give the outside edge that fatal, poisoned kiss.

The extensive webbing between thumb and forefinger is the most worrying of all, for it ensures that the keeper's glove is as similar to a baseball player's handwear as makes no difference. No white-coated umpire can do anything about it. "Wicketkeepers' gloves", quite soon, may become part of Britain's growing body of

obsolete terminology — like "wireless", "running board" and "ministerial responsibility". And *Test Match Special* on the radio will soon hum with lines like this one: "Kumble got his quicker googly to jump at Mike Watkinson... the ball popping from the shoulder of the bat straight into the wicketkeeper's eager mitts."

Mitts. Would John Arlott have liked them? Or that fussy Neville Cardus from Manchester? Surely not. And what would old C. L. R. James have said? Even allowing for the fact that the standard of wicket-keeping has never been poorer than it is today — whether at club, county or Test level — mitts are not a part of cricket's special armoury.

Cricket, however, is a sensible game played by men with common sense — on the whole. Its laws may prove to be incomplete from time to time (remember Dennis Lillee's metal bat); but the game's legislators, like their counterparts in our courts, have their own form of common law. If the rules are silent, or have lagged behind the ingenuity of the modern sports equipment manufacturer, they simply amend them, outlawing the offending aluminium bats and voodoo balls... or even those over-webbed wicketkeepers' gloves.

Queen's presence at vespers in Westminster Cathedral

From the General Secretary of the British Evangelical Council

Sir, On November 30 Her Majesty the Queen will attend vespers at Westminster Cathedral to mark its 100th anniversary, her first visit to a full Roman Catholic service. It is our respectful but considered view that this is ill-advised.

We readily affirm that individual Roman Catholics are to be accorded full rights as Her Majesty's loyal subjects and that the Roman Catholic Church is to be acknowledged as a major player in the current ecumenical processes. Both are self-evident courtesies which the Queen is right to recognise. There are, however, both religious and constitutional reasons why this visit is not appropriate. While welcome changes have taken place in the atmosphere of religious discussion in recent years, the theological position of the Roman Catholic Church has not changed: "justification by faith alone" was the central question of the Reformation, and it remains an unresolved watershed.

Rights in Nigeria

From Mr Ronald Harwood

Sir, While attention has been widely focused, and rightly so, on the appalling execution of Ken Saro-Wiwa, international PEN feels it necessary to point out that there are at least nine other writers currently detained in Nigeria. Four have been sentenced to 15 years in prison for articles they wrote about the alleged coup earlier this year. Most are held incommunicado in terrible prison conditions. Their plight should not go unnoticed.

The Nigerian regime is anathema to freedom of expression. Since Sani Abacha came to power, we have seen newspapers banned, laws imposed against the press, increased use of "special tribunals" and military courts to try writers and journalists, and wide-scale detentions of pro-democracy activists. The Ogoni area is virtually sealed off to journalists and several who have tried to slip through the military cordon have been expelled.

International PEN believes that freedom of expression stands at the core of all other human rights and is conducting a campaign to pressurise the world community to ensure that Nigeria conforms immediately with international standards in this area.

Yours faithfully,
RONALD HARWOOD
(International PEN)
9-10 Charterhouse Buildings,
Goswell Road, EC1
November 20.

'Minority' lawyers

From Mr Gerald Hartup

Sir, It would be unfortunate if Frances Gibb's report "Ethnic minorities face barriers to legal careers" (November 23) should give the impression that they are in any meaningful sense disadvantaged in entering the legal profession.

As the Law Society report from which she quotes, *Entry into the legal professions*, states: "Law is a popular subject choice among people from ethnic minority groups". And so is the legal profession itself. In 1993-94 some 11.8 per cent of newly admitted solicitors came from ethnic minorities.

Since such groups represent much less than 11.8 per cent of young people in Britain it is clear that they are, in fact, disproportionately successful in entering this profession compared to their white counterparts. Their representation bears witness not to a problem which must be headlined, and thereby cause grievance, but to their success.

Yours faithfully,
GERALD HARTUP (Director),
The Freedom Association,
35 Westminster Bridge, SE1.
November 21.

Hold it...

From Mrs Ruth Hartridge

Sir, Some American bridal couples have a neat solution to photography dilemmas (letters, November 15, 21, 27).

At a wedding of friends of mine in Miami, some four years ago, the close family (bride and groom, respective parents, best man and bridesmaids) foregathered at an appropriate venue 1½ to 2 hours prior to the ceremony.

After coffee and biscuits in a relaxed environment they had their special photographs taken, with no hassle, no fuss and no impatient guests. Then quietly to the church in suitable order to share together in the wedding ceremony with their friends.

Yes, the bride and groom met before the service; but what a lovely secret the two of them were able to share with their relieved guests as they later participated in two or three group photographs. And another bonus: guests could order perfect photos from the proofs displayed at the reception and the photographer was free to catch the spirit of the occasion.

This policy produced some of the happiest wedding pictures I have seen.

I remain, yours faithfully,
RUTH HARTUP,
46 Rutland Close,
Harrogate, North Yorkshire.
November 27.

LETTERS TO THE EDITOR

1 Pennington Street, London E1 9XN Telephone 0171-782 5000

The constitutional issue has wider social implications. In her Coronation Oath the Queen promised "to maintain... the Protestant Reformed Religion", but Her Majesty's advisers no longer seem to regard the differences between the Protestant and the Roman Catholic faiths as significant enough to prevent her doing what many regard as inconsistent with that solemn undertaking.

Moreover, some will see this decision as an overt marker that public vows are no longer binding on personal conduct. At every level of society — in business and politics and in marriage — the integrity of solemn promises is under pressure. Her subjects need every encouragement to maintain these pledges, come what may. That the Queen herself has been advised to do otherwise is deeply disturbing.

Yours faithfully,
ALAN GIBSON, General Secretary,
British Evangelical Council,
113 Victoria Street,
St Albans, Hertfordshire.

Regulation in the video industry

From Lord Merlyn-Rees

Sir, In response to Libby Purves's suggestion (article, November 14) that "we could also use some effective controls on home videos to protect young children", I must point out that the video industry in the United Kingdom is the most regulated media industry in the country. It is subject to both the criminal law and voluntary controls established by the industry that go far beyond anything required by the law. It is restricted to a far greater extent than in any other country in Europe and is subject to regulations that do not apply to terrestrial or satellite television.

With some exceptions all video titles have to be submitted for censorship to the British Board of Film Classification which is required by law to classify films more strictly for video than it does for the cinema. Any video title which exceeds acceptable levels of sex or violence is either edited or not given a classification. It is a criminal offence to supply a title that has not been classified and breach of the law can result in unlimited fines, imprisonment for up to two years or both.

It is a criminal offence for any video dealer to supply a video with a 12, 15 or

Education challenge

From the Shadow Secretary of State for Education and Employment

Sir, Victor Serebriakoff of Mensa (letter, November 27) is misguided in his view that the larger the gap between the best achievement and the worst in education, the better the education system. Other countries, notably those in East Asia, have shown the opposite to be the case.

The success of an education system is its ability to add value at each stage, ensuring that children reach their full potential in school — and build on that through lifelong learning.

The Marches School in Shropshire, which I visited earlier this year, is a fine example of this. It has dramatically improved its average performance

Striking a balance

From Mr M. I. Webb

Sir, Desmond Dearlove's review of *The New Employment Contract* ("Ignore contracts at your peril", *Appointments*, November 23) drew attention to a valuable source of information in these precarious times for employment.

In the 1988 case study quoted, however, it was illuminating to read that a manager was made redundant when, during his absence through sickness, his work was done by the managing director without difficulty.

One is tempted to ask whether either manager had a sufficient workload to justify their respected positions.

Yours sincerely,
MAURICE WEBB,
Smiddy House,
Eymouth, Berwickshire,
November 25.

Smashing time

From Dame Jill Knight, MP for Edgbaston, Birmingham (Conservative)

Sir, May I correct the sadly misleading comment today by your diarist, PHS, about a parliamentary visit I made to Russia in the Seventies.

After enforced consumption of eight vodkas, one does not feel at one's best, but drunk I was not, and when I discovered that one had only to smash one's glass to avoid it being refilled, the feeling of relief extended through-out the rest of the visit, as I used this simple method to avoid overfill.

Yours faithfully,
JILL KNIGHT,
House of Commons,
November 27.

Letters that are intended for publication should carry a daytime telephone number. They may be sent to a fax number — 0171-782 5046.

Need to save jobs in the Highlands

From Dr Ian Richardson

Sir, "If we wish the Highlands to remain the way they are... we tinker with (the landlord) system at our peril", writes Mr Duncan Bryson (letter, November 22).

Certainly, the eternal hills and the lochs and rivers remain; but what of the native population, the quiet decent people in the remote places, their character moulded like contour and climate?

Here in Laggan, in the central Highlands, two-thirds of the population have gone since 1945. There is no employment for the young. Those forestry workers who remain drive 50 miles a day or more to find work. They drive past 3,000 acres of local Strathmashie Forest managed by the Forestry Commission, employing at its 1960s peak 34 men and now none.

There is work here for generations to come. Feasibility studies, funded jointly by Highland and Islands Enterprise and the Scottish Office, have already been carried out regarding the forest being made over to the Laggan Community Association, to become its main asset. After 3½ years we have only now succeeded in having the project given fair consideration — all we ask — by the only man who can overrule the Forestry Commission, the new Secretary of State, Michael Forsyth.

There must be change. There will always be a place for the private landowner, whether British or foreign. There is no call for expropriation or nationalisation; the Bolsheviks are not marching up the drive. But the road ahead is community involvement in land ownership and usage, making use of the wide range of skills present in all these Highland communities. The need is urgent.

Yours faithfully,
IAN RICHARDSON
Secretary,
Forestry Sub-committee,
Laggan Community Association,
Mullach-Na-Bèinne,
Laggan, Newtownmore, Perthshire,
November 23.

Daylight robbery

From Mr I. M. Osborne

Sir, If I was in a position to introduce a Private Member's Bill I would propose that no MP be permitted to introduce a Bill scrapping Greenwich Mean Time (report, November 25) unless he has spent at least two full winters in Scotland or Northern Ireland, preferably those between February 1968 and October 1971, when British Standard Time (permanent summer time) was in operation. That trial demonstrated — once and for all I would have hoped — how we should stick to the time that nature intended and to which the country has adjusted its day.

I was in Northern Ireland during those winters and I shall never forget how depressing it was to enter an office in darkness in the morning and leave again in darkness at the end of the day. Nor shall I soon forget the sight of schoolchildren waiting in the dark for the school bus.

Here in southeast Scotland the adoption of summer time in winter (and double summer time for the rest of the year) would condemn children to going to school in the dark from November until the end of January. Further north this would happen for an even longer period of the winter. How is that supposed to reduce accidents and save lives?

Scotland has a far higher suicide rate than England. The cost in human misery and health care that all-year summer time would entail would far outweigh any putative saving in traffic accidents.

Businesses that need to be in tune with Europe, or the rest of the world, already adjust their hours. Others in the south of England who desire lighter evenings should get up earlier.

Yours faithfully,
I. M. OSBORNE,
Headmaster,
Belhaven Hill School,
Dunbar, East Lothian,
November 27.

From Mr Andrew Dyke

Sir, I have just been listening to an item on the *Today* programme about whether we should have the extra hour in the morning or in the evening.

I had not realised that Parliament had such power, but if we are to have a 25-hour day, I would like the extra hour in the middle of the night, so that I can sleep a little longer.

Yours faithfully,
ANDREW DYKE,
40 Compton Road,
Winchmore Hill, N21,
November 24.

No man's land?

From Mr Tom Salway

Sir, I may be able to help your readers in locating this elusive place Middle England (letters, November 23, 27).

Here, our address is Rugby, our telephone exchange is in Northamptonshire, our doctor is in Oxfordshire, our diocese is Coventry and our constituency is Stratford-on-Avon.

Yours faithfully,
TOM SALWAY,
Pingle House,
Priors Hardwick,
Rugby, Warwickshire,
November 27.

OBITUARIES

AIR MARSHAL SIR JOHN LAPSLEY

Air Marshal Sir John Lapsley, KBE, CB, DFC, AFC, Head of the British Defence Staff in Washington, 1970-73, died on November 21 aged 79. He was born on September 24, 1916.

LIKE a number of that small band of RAF officers who began their careers as apprentices at Halton and went on to Cranwell in the years before the Second World War, John Lapsley achieved great distinction and high rank. He was a fighter ace in the desert in 1940 and 1941, and returned to active service after recovering from severe wounds, to lead a ground attack wing in sorties over the battlefields of Normandy in 1944. After the war he played an important part in the evaluation and development of the RAF's first generation of jet fighters.

Many of the ex-Halton apprentices were eventually to play central roles in drawing together the various disciplines of Fighter, Bomber and Coastal Commands into the modern, unified Royal Air Force. Lapsley was, in fact the last AOC-in-C of Coastal Command, just before maritime reconnaissance became the province of 18 Group within the new Strike Command.

John Hugh Lapsley, the second son of an employee of the Bank of Bengal, was born in Dacca, then in India, now the capital of Bangladesh. He was two years old when his father died and his mother brought her sons back to England, where she remarried.

In 1920 his stepfather was appointed accountant to the Falkland Islands Company in Port Stanley, and took the family to live there. Although Lapsley returned to school in England only five years later, he retained a strong affinity with the islands throughout his life and was a keen champion of their interests. He became a vice-president of the Falkland Islands Committee and a director of the Falkland Islands Research and Development Association.



He went to RAF Halton as an apprentice when he was 18. From there he won a cadetship at Cranwell in 1935 and was commissioned in 1937.

He was then posted to Egypt to fly Gloster Gladiator biplane fighters with No 80 Squadron, attacking rebel strongholds in Palestine. But, just after Italy entered the war in June 1940, the squadron was able to exchange some of its biplanes for Hurricanes — a complete re-equipment was not possible since the Mediterranean theatre had to play second fiddle to the desperately stretched air defences of the home front, where the Battle of Britain was looming.

Lapsley took to the Hurricane (he was an immensely adaptable pilot) and on a single day in mid-August he shot down three Italian Savoia SM79 bombers in one foray over the desert.

Shortly afterwards half the squadron's pilots and its Hurricanes were sent to form a new squadron, No 274, to which Lapsley went as a flight commander. He soon earned his reputation as a skilful and courageous pilot and an accurate shot.

On September 10 he scored the squadron's first combat victories when, with his No 2, he went to attack a formation of five SM79s over Mersa

Matruh. His wingman's guns jammed immediately but he carried on single-handed through a hail of defensive machinegun fire, shooting two of the bombers down and forcing the remaining aircraft to jettison their bombs. But when he attacked a third bomber, just as he pressed his gun button his own armoured windscreen took a hit from a machinegun bullet which shattered it but luckily did not penetrate it. On September 15 Lapsley downed his sixth SM79 and was awarded the DFC. In later air duels Lapsley accounted for five Fiat CR42 biplane fighters to bring his tally to 11.

In 1949, after passing through staff college and a period at the Air Ministry, Lapsley took command of No 74 Fighter and Air Fighting Development Squadron at Horsham St Faith, where he led the RAF aerobically display team. He was awarded the AFC in 1950 and was then posted as Wing Commander flying at the Central Fighter Establishment at West Ruislip in 1951.

During this whole period, he played a leading role in much of the RAF's experimental and developmental flying

with the early generations of jet fighters: the Meteor, the Vampire and, for the Fleet Air Arm, the Attacker. After a brief tour at Fighter Command Headquarters in 1953, he was posted at short notice as Station Commander to RAF Wahn, which served both as the main civil and military airport for Cologne and Bonn and as an active night fighter station, equipped with Meteor night fighters.

When he left Wahn in 1956, he progressed through a series of increasingly senior staff appointments until, in 1964, he was selected by Earl Mountbatten to become the first Secretary to the Chiefs of Staff Committee and Director of Defence Operations Staff. He was appointed CB in 1966.

When he was chosen as Air Officer Commanding 19 Group, RAF Coastal Command, in 1967, he learnt to fly helicopters and converted to Shackletons, the long-serving maritime reconnaissance aircraft. In 1968 he became Commander-in-Chief of Coastal Command, bringing the Nimrod into service to replace the Shackleton and preparing Coastal Command for assimilation into Strike Command. He was created KBE in 1969.

His final post, from 1970 to 1973, was as Defence Attaché and Head of the British Defence Staff in Washington, during which time his long operational experience stood him in especially good stead with the United States diplomatic and military establishments and with members of the British Armed Services.

In retirement Lapsley joined the Save the Children Fund as director-general for two years before moving permanently to Suffolk. Here he served on the Suffolk Coastal District Council from 1979 to 1987, becoming its chairman in 1983.

His first wife, Jean, died in 1979 and in the following year he married Millicent, widow of Lieutenant-Commander T. A. Rees, RNR. He is survived by her and by a son and a daughter from his first marriage.

STUART HENRY



Stuart Henry, disc jockey, died in Luxembourg on November 24 aged 53. He was born in Edinburgh on February 24, 1942.

SOMETHING of a swash-buckler, Stuart Henry began his career on pirate radio stations, and went on to bring a refreshing air of flamboyance and rebellion to the somewhat musty ambience of the BBC where he was later to make his name. Preferring the long hair and drooping moustache of the Sixties hippy to the sartorial conventionality more usually associated with BBC presenters, Henry, draped with beads and bells, cut an unusual figure in the recording studios.

But it was orality rather than visually that he really made an impression. He voiced a Sixties change of consciousness with an effervescence and enthusiasm which carried over the airwaves to make him one of the most popular radio personalities of the Seventies. Beginning as one of the new recruits of a recently launched Radio 1, he went on to host their Sunday morning show which was broadcast to more than 11 million viewers.

Henry was always to talk to his audiences as "my friends". This was more than a presenter's pater intended to establish easy intimacy. To many it seemed a manifestation of a deeper inner concern. Henry showed a genuine consideration for social issues. On one of his spots, *She's Leaving Home*, which used the Beatles song of that name as a theme tune, Henry appealed to runaway youngsters to get into contact with their families. "I'm not asking you to go back, my friend," he would say. "What I want you to do is just to let your parents know you are all right." He also campaigned against nuclear testing and highlighted environmental problems long before such issues became fashionable.

But, perhaps more than anything else, it was Henry's courage in the face of multiple sclerosis which was to make him a household name. For 20 years he fought this cruelly debilitating disease which, attacking the spinal cord, gradually freezes the body in hopeless paralysis. He continued broadcasting as long as he was able, his broad Scottish accent, which had once stood out so markedly among the received pronunciation then current in the BBC, gradually fading into a whisper.

Stuart Henry was born in Edinburgh. He attended Glasgow College of Dramatic Arts and spent six years as an actor before beginning his career in radio.

Pirate radio was flourishing in the 1960s with stations like Radio Caroline operating in the South. Henry took to the cold northern seas, joining Radio Scotland on board the motor vessel *The Comet*. With

force nine gales whipping up high seas, it was at times a tough job, and he broadcast often amid racking fits of nausea. His most essential piece of equipment, he used to joke, was a bucket. However, his inability to conquer seasickness, perhaps an early sign of his later disease, was eventually recognised, and Radio Scotland, reluctant to lose him, exonerated him from offshore work. He became one of the only DJs allowed to pre-record in the comfort of the station's Glasgow studios.

When in 1967 the Marine Offences Act closed down all but the Radio Caroline pirate station, Henry was rapidly recruited as one of a team of presenters for the BBC's new pop station, Radio 1. His easy manner behind the microphone soon won him enormous popularity and his special skill was to relate to two generations, to the young people who had grown up in the Sixties, as well as to their parents brought up in a sterner postwar era. By June 1968 he was presenting Radio 1's high profile Sunday morning show.

Henry's disease first began to manifest itself as a slight speech impediment, a slurring and drawing in his words. Neither he nor his employers knew the reason, and it is said that Radio 1's management speculated that he had a problem with drink or drugs. A series of on-air slip-ups and blackouts at personal appearances began to damage his reputation and in 1974, during a BBC shake-up, his contract was not renewed.

In 1976 he married Ollie, his long-standing girlfriend and a former model who like him had believed in the Sixties spirit of free love. It was she who was to take care of him devotedly for the rest of his life.

Together they moved to Luxembourg where Henry found work as a presenter with Radio Luxembourg. Although by now multiple sclerosis had been diagnosed, he carried on presenting, keeping his illness a secret from his audiences. It was only as his speech deteriorated and listeners began to complain that his fellow DJ, Tony Prince, encouraged him to make his condition public, which he did in 1982.

Nonetheless, he struggled on against his disease and kept on broadcasting with the assistance of his wife. Until 1987, when his voice became so weak he could no longer work, it was she who carried him to and from the studios, who held him up to the microphone, and read the news bulletins for his show.

Throughout the last years of his life, when he was almost completely paralysed from the neck down, she cared for him with a selfless and wholehearted devotion.

Stuart Henry is survived by his wife. They had no children.

KENNETH GOLDSTEIN

Kenneth Goldstein, Associate Professor of Folklore at the University of Pennsylvania, died on November 11 in Philadelphia aged 68. He was born in Brooklyn, New York, on March 17, 1927.

ALTHOUGH his nationality saw to it that Kenneth Goldstein's academic career was spent almost entirely in

Philadelphia, he had long-term connections with the British, and especially the Scottish, folklore scene. His discipline was initially anthropology but he became early on a member of the relatively small community which in American universities has long specialised in folklore, folk life, and folk music studies. (Universities in North America were years ahead of their European counterparts

in initiating these subjects and in insisting upon standards of full academic rigour for all those who chose to study them.)

Goldstein's first links with folk studies in Britain, in 1959, were through the University of Edinburgh's School of Scottish Studies, where, when Ken Goldstein arrived in Edinburgh, Henderson recognised a kindred spirit.

Goldstein had been awarded a Fulbright scholarship, and had persuaded the School of Scottish Studies to enrol him for the academic year 1959-60. Goldstein's project was a study of the folklore of Buchanan: an innovative structural study of the north Buchanan community of Strichen and a family study of the Stewarts of Fetterangus, some six miles south of Strichen. That particular branch of the Stewart clan — Belle, her husband Alex and their daughters Kathy and Sheila — were among the foremost "carriers" of tunes, tales, and songs among Scotland's travelling people and tinkers.

Goldstein's connections and the bonds of friendship he forged were to bring him back to Buchanan many times (his last visit was in 1994) for formal field trips and informal collecting. He had developed an interest in recording stories and, in particular, jokes. These he taped in Scotland and, indeed, in any context where his informants were happy to tell jokes.

Meanwhile, he was producing records at an amazing rate for 11 US companies. Before British companies had latched on to the commercial possibilities, he had helped to create a situation whereby far more traditional British music was being imported on US labels than was being produced indigenously.

After graduating at City College, New York, Kenneth Goldstein took an MA and a PhD in folklore at the University of Pennsylvania. There he was the first folklore graduate to take up a teaching post with the university, and he received the much coveted Lindback Award for Distinguished Teaching. Apart from a short tenure as Head of Folklore at St John's Memorial Univer-



sity of Newfoundland, he worked at Pennsylvania until his retirement in 1992. He was co-chairman of the folklore and folk life department, and later associate professor.

Men such as Goldstein do not "retire" and until the early part of this year he was busy on various projects, even planning a working trip to Europe next year. He had been a principal mover in the development of the Philadelphia Folk Festival and never missed a chance to take part in British folk festivals during his visits. He was also an enthusiastic collector of broadsheets and other printed ephemera, as well as of more enduring books in his chosen field. His own publications included: *A Guide for Field Workers in Folklore* (1964), *Folklore Performance and Communication* (with Dan Ben-Amos, 1975) and *Folklore Studies in Honour of Herbert Halpert* (edited with Neil V. Rosenberg, 1980).

Goldstein is survived by his wife Rochelle and by two sons. A third son died in infancy.

PERSONAL COLUMN

ANNOUNCEMENTS

ROY MILES, General, Private, 1915-1916, 1917-1918, 1919-1920, 1921-1922, 1923-1924, 1925-1926, 1927-1928, 1929-1930, 1931-1932, 1933-1934, 1935-1936, 1937-1938, 1939-1940, 1941-1942, 1943-1944, 1945-1946, 1947-1948, 1949-1950, 1951-1952, 1953-1954, 1955-1956, 1957-1958, 1959-1960, 1961-1962, 1963-1964, 1965-1966, 1967-1968, 1969-1970, 1971-1972, 1973-1974, 1975-1976, 1977-1978, 1979-1980, 1981-1982, 1983-1984, 1985-1986, 1987-1988, 1989-1990, 1991-1992, 1993-1994, 1995-1996, 1997-1998, 1999-2000, 2001-2002, 2003-2004, 2005-2006, 2007-2008, 2009-2010, 2011-2012, 2013-2014, 2015-2016, 2017-2018, 2019-2020, 2021-2022, 2023-2024, 2025-2026, 2027-2028, 2029-2030, 2031-2032, 2033-2034, 2035-2036, 2037-2038, 2039-2040, 2041-2042, 2043-2044, 2045-2046, 2047-2048, 2049-2050, 2051-2052, 2053-2054, 2055-2056, 2057-2058, 2059-2060, 2061-2062, 2063-2064, 2065-2066, 2067-2068, 2069-2070, 2071-2072, 2073-2074, 2075-2076, 2077-2078, 2079-2080, 2081-2082, 2083-2084, 2085-2086, 2087-2088, 2089-2090, 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Giving youth its head at the not-so-Young Vic



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Simple ideas that set markets alight



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Gough ready to resume cult status

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THE TIMES

BUSINESS EDITOR Lindsay Cook

WEDNESDAY NOVEMBER 29 1995



Counting the cost: dealers at Société Générale Strauss Turnbull, the broker, listen as the Chancellor delivers his Budget speech

Pound and gilts hit as Budget disappoints City

By MICHAEL CLARK, PHILIP PANGALOS AND COLIN NARBROUGH

SHARE prices and government bonds are expected to open lower on the stock market this morning in response to the Budget.

The City gave the package a lukewarm reception and is likely to mark prices down after a record-breaking run. The knee-jerk reaction during after-hours trading sent share prices lower. Gilts fell by almost a point on disappointment at increased borrowing projections. The pound also lost ground, worried by the impact of the measures on foreign investors.

The only positive point to emerge from the package was the decision to reject calls for a windfall tax on the water and electricity utilities. It had been

feared that the Chancellor would levy a new tax on the cash-rich companies to finance tax cuts. Brokers now expect utilities to enjoy a revival of institutional support along with a spate of takeovers.

But overall there was little in the Budget to please the City. Traders and investors were scathing about the Chancellor's performance. Many claimed his sole purpose had been to win back support from middle England before the General Election, arguing that his measures did little to solve Britain's economic problems.

Ian Harnett, chief economist and strategist at Société Générale Strauss Turnbull, said the Chancellor had failed

to boost the market with a tough Budget or a tax giveaway. "By adopting a prudent stance, he has disappointed both the gilt and equity expectations."

Christopher Clark, head of UK research at Credit Lyonnais Laing, said: "The PSBR is not coming down quickly enough and the figures the Chancellor gives for growth imply a big bounce in the fourth quarter." On interest rates, Mr Clark still expects a half-point cut, but not as quickly as some had hoped.

Earlier in the week, the FT-SE 100 index had hit an all-time high in anticipation of a tax giveaway and possible cut in interest rates, but before the Chancellor rose to make his

speech, the index had reversed a six-point lead. By the time he concluded, it was 0.2 down at 3,648.8.

Sterling dropped back against the dollar and the mark in response to the upward revision of the public sector borrowing requirement and what the markets perceived as an uninspiring Budget. The pound slipped from around \$1.5500 immediately before Mr Clarke started speaking to \$1.5475. It also fell to DM2.2169 from around DM2.2205, despite expectations that the Bundesbank could cut its key rates soon.

Avinash Persaud, chief currency strategist at JP Morgan, predicted that the pound would fall to around \$1.500 by

the year end. "This Budget is not going to inspire the markets and not going to lift the pound. It appears to be more a case of fiddling while the (Conservative) party burns," he said.

The Chancellor's cautious measures were seen by other foreign exchange analysts as intended to avoid upsetting the currency market too much, in order to not to reduce the scope for interest rate cuts in the next few months.

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Business gives broad welcome to 'unexciting' fiscal package

By PHILIP BASSETT, INDUSTRIAL EDITOR

BUSINESS broadly welcomed the Budget for its "unexciting" promotion of economic stability, although some leaders were disappointed that it failed to do more to stimulate growth, investment and jobs.

Industry leaders were pleased that the Chancellor had largely resisted the temptation to announce large-scale cuts in personal taxes and instead brought forward measures in line with business calls for a prudent and fiscally-balanced Budget.

But some industrial sectors, such as construction and road haulage, attacked the Budget for doing little, if anything, to help their businesses. The higher than expected public borrowing totals set were also of concern.

Adair Turner, Director-General of the Confederation of British Industry, said: "We welcome the fact that the Government has broadly stuck to the prudent economic line we recommended. We are pleased that the Chancellor appears to have limited tax cuts to reductions in spending and resisted the temptation to go for excessive tax cuts."

He said: "Public borrowing is higher than we had hoped for, but we are satisfied that it still appears to be on a downward path." The CBI said it was concerned about the cuts in public capital spending and that it was up to the Government to deliver on its "aggressive" target for the Private Finance Initiative.

Richard Brown, deputy director-general of the British Chambers of Commerce, welcomed it as a neutral Budget for stability: "We asked for an unexciting Budget - and got it. Businesses had enjoyed economic stability for some time and were not looking for shocks." While the income tax cuts might seem cautious, they

would be welcomed by retailers. Tim Melville-Ross, Director-General of the Institute of Directors, welcomed the Budget's "broad fiscal balance" and "modest" measures and the rejection of a windfall tax on the utilities.

He urged an interest rate cut soon: "As a result of this Budget, we believe the scene has now been set for a responsible reduction in interest rates at an early opportunity."

The Federation of Small Businesses said the Budget was disappointing and accused the Chancellor of effectively ignoring the sector. But Stan Mendham, chairman of the Forum of Private Business, said it was a prudent package that met its members' call for a stable climate, including low inflation and low interest rates.

John Monks, TUC General Secretary, said: "Job insecurity and unemployment are Britain's biggest problems and the Budget does nothing to address them." Rodney Bickerstaffe, general-secretary-elect of Unison, Britain's biggest union, said the Budget was "robbing Peter to pay Paul".

Graham McKenzie of the EEF, the body for engineering employers, said that while the industry welcomed the Chancellor's decision not to press for big personal tax cuts, the "anodyne" Budget had missed the opportunity to boost business and increase investment.

The Building Employers' Confederation said it was deeply disappointed with the Budget, especially its lack of measures to increase investment that would help construction out of recession. The House Builders' Federation said there was nothing positive in it for the housing market.

Road hauliers attacked duty increases and cuts in the road programme, but retailers said the Budget would help to boost confidence in the high street.

BUSINESS TODAY

STOCK MARKET INDICES

FT-SE 100	3648.8	(-0.2)
Yield	3.92%	
FT-SE All share	1761.41	(-0.38)
Nikkei	18698.42	(+145.28)
Dow Jones	5044.06	(-28.02)*
S&P Composite	600.54	(-0.78)*

US RATE

Federal Funds	5 1/4%	(5 1/4%)
Long Bond	106 1/8%	(106 1/8%)
Yield	6.25%	(6.25%)

LONDON MONEY

3-month interbank	6 1/4%	(6 1/4%)
Libor 3-month	109 1/2%	(110 1/2%)

STERLING

New York	1.5484*	(1.5525)
London		
\$	1.5483	(1.5509)
DM	4.2118	(4.2272)
FF	7.5995	(7.5460)
SF	1.7893	(1.7973)
Yen	166.08	(167.80)
S index	82.9	(83.2)

DOLLAR

London		
DM	1.4313*	(1.4375)
FF	4.2113*	(4.2272)
SF	1.1544*	(1.1585)
Yen	101.20*	(101.73)
S index	82.9	(83.2)

Tokyo close Yen 101.62

MORTGAGE RATES

Brant 15-day (Feb)	\$16.80	(\$16.70)
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GOLD

London close	\$388.45	(\$384.50)
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* denotes midday trading price

Eurotunnel relief

Eurotunnel's fight over duty-free sales is to go to the European Court of Justice.

The company is seeking compensation for what it sees as a "hidden subsidy". It says unfair tariffs charged by Snt, the Dover-Calais French ferry operator, are subsidised by profits from duty-free sales.

Eurotunnel lodged a claim with the Tribunal de Commerce in Paris in June. Yesterday the tribunal said it was referring the matter to the European Court - a decision welcomed by Eurotunnel, which is banned from offering duty-free sales on its trains. It receives only 10 per cent of its revenue from its two duty-free shops, compared with its rivals' 30 per cent.

Deeny and Burrows on Council of Lloyd's

By SARAH BAGNALL

MICHAEL DEENY and Marie-Louise Burrows, leaders of two of the largest groups of litigating names, have been elected to the Council of Lloyd's of London at a crucial time in the insurance market's history.

Mr Deeny, chairman of the Gooda Walker Action Group, won the most support with 2,521 votes, followed by Mrs Burrows, head of the Lime Street Action Group, with 1,407 votes. They replace Peter Viggers, the Tory MP, who received 570 votes and Valerie Robinson with 666 votes. The figures have been calculated under the market's weighted voting system. Of the 25,935 names entitled to vote for external members to the council, 12,888 voted.

Mr Deeny said: "There is now a real prospect of a settlement that will finally offer a realistic level of compensation to names." Lloyd's is in the process of trying to resolve the mass of legal actions brought by names by offering a £2.5 billion settlement package. Some action group leaders consider the offer inadequate and attempts to increase it are being pursued.

David Rowland, chairman of Lloyd's, was re-elected to the council as a working member by 2,715 votes. John Charman and Paul Archard were also elected.

Severn Trent profits swell 75%

By ALASDAIR MURRAY

SEVERN Trent Water pledged to spend an extra £130 million on its services to customers yesterday as it unveiled a 75 per cent jump in profits to £189 million in the first half.

The company said that half the money would be spent in the coming year, with the rest spread over the next five years, to improve water supplies and cut leakage rates. The Severn Trent region still has a hosepipe ban and the company has faced Ofwat criticism over its poor leakage and supply record. Another drought-hit company, Yorkshire Water, said on Monday that it would spend £50 million over the next six months on improving water supplies.

Severn Trent has earmarked £40 million to provide new water resources, £50 million to reduce leakage rates from 25 per cent to 15 per cent and £40 million on upgrading local mains systems.

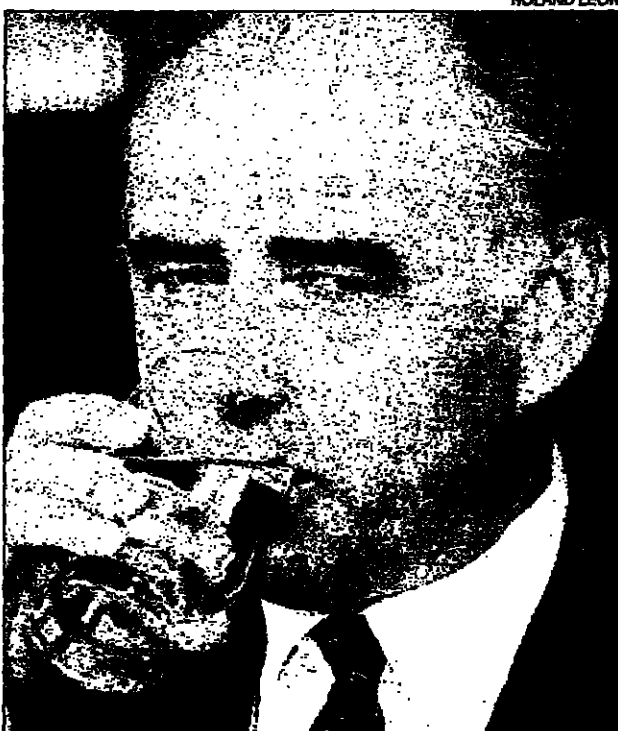
On a like-for-like basis, operating profits increased 12.8 per

cent to £214 million while turnover was up 6.6 per cent to £569 million. Operating profits in the regulated water and sewerage businesses rose 12.5 per cent to £206 million.

Biffa, the waste services subsidiary, performed well, lifting profits 34.2 per cent to £10.2 million, while the international division increased operating profit to £1.3 million from £300,000 last year. But overall profit for non-regulated businesses fell by two-thirds to £700,000. The company said it expected an improvement in the second half.

Severn Trent said that Arthur Andersen, the accountancy firm, is reviewing directors' remuneration packages and will report to the annual meeting next June.

The first half dividend rose 11.8 per cent to 9.2p, due on April 9. A second interim dividend of 3.84p, promised when the company announced its annual results in June, will be paid in August 1996.



Vic Cocker, the chief executive of Severn Trent

A game of several halves

By JON ASHWORTH

YOU'VE bought the slippers. You've bought the strip. Now fans of Newcastle United could soon be drinking their own brand of beer, in a move that would take football commercialism to even dizzier heights.

The club, top of the Carling Premiership, is considering launching a chain of pubs as part of its commercial revolution. Receipts at the 36,000-capacity St James' Park bring in just £12 million a year, and the management, led by Kevin Keegan, is looking at all manner of ways to top up the bank balance.

In spite of public concern about the link between alcohol and violence on the terraces, Newcastle United's so-called

Toon Army could soon be quaffing their way through pints of Beardsley Bitter, or downing double Gin-olas. The club is contemplating launching themed sporting pubs under the 1892 label - the year it was founded.

A spokesman said: "We'd be daft not to look into other commercial ventures. But it's very early days and it's not as if there's a huge shortage of public houses in the North East."

Newcastle Breweries, which sponsors the club, is watching developments with interest. A spokesman said: "It's an exciting proposal. Many of Newcastle United's supporters are also loyal customers." Newcastle Breweries, a subsidiary of Scottish & Newcastle, would be interested in supplying beer to the

outlets. Newcastle United has undergone a revolution in the three years since Freddie Fletcher was signed as chief executive from Glasgow Rangers. Annual turnover has risen from £4 million to £40 million, fuelled by sales of clothing and merchandise.

The club has sold more than 500,000 strips this season and has a range of leisurewear designed by George Davies, the former chief executive of Next, the fashion chain. Newcastle United credit cards and phonecards are also being considered.

Newcastle United still has a little way to go on the money-spinning front. Manchester United makes about £60 million a year, while Barcelona's annual take is close to £75 million.

Building societies 'must adapt to survive'

By PATRICIA TEHAN
BANKING CORRESPONDENT

BUILDING societies will become "museum pieces" unless they adapt to changes, according to Mike Blackburn, chief executive of the Halifax, which is set to become a bank.

Mr Blackburn, speaking at a Chartered Institute of Bankers lecture in Coventry last night, said societies needed to recognise that "treating all customers equally is simply not an option". Current market segmentation meant that societies were faced with "hungry cherry-pickers" waiting to pluck their best customers.

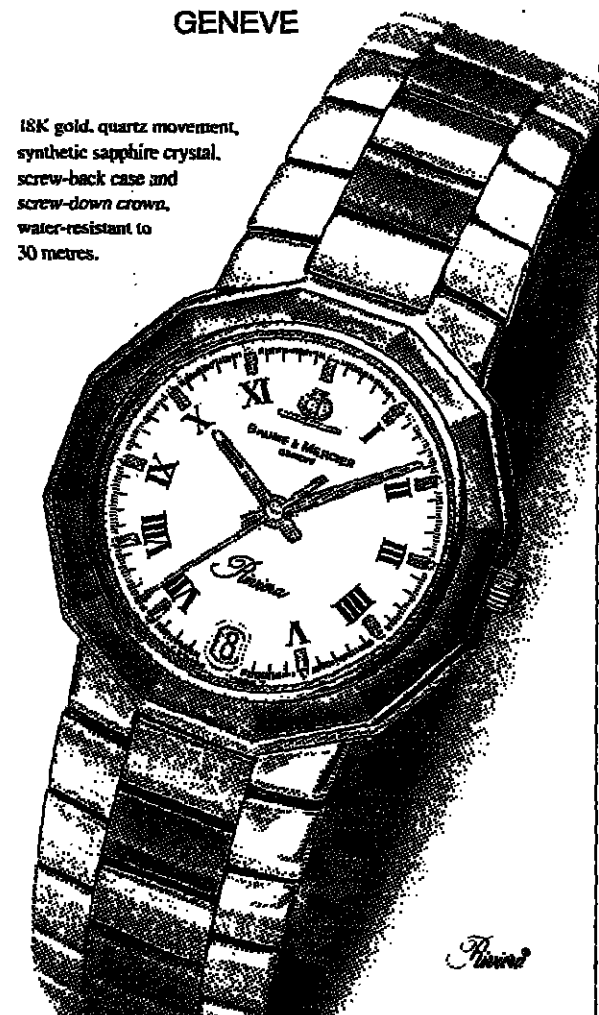
He said societies also needed to work on lower margins because they did not have to pay dividends. Building society net interest margins were currently over 200 basis points and analysts were predicting they would fall to 100 basis points. "But the only players to survive in that environment would be those who adopted a completely new and very low-cost delivery strategy and totally segmented the market."

Changes to building society legislation would also help, Mr Blackburn said. The Halifax would like to have seen a new Building Societies Act giving societies freedom to raise up to half their funds from the wholesale market and to lend up to 25 per cent more than on residential property.

He said the Halifax decided to acquire the Leeds and to seek bank status because it had become too big and too diverse for mutualism to have any real meaning.

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The Red Book: inflation is set for 2.5% or below by the end of the present Parliament

Economy expected to grow 3% next year

The Chancellor says that he has been prudent in his projections. He is not prepared to take any action that will put at risk his fiscal target of moving towards balance in the medium term

THE following are extracts from the *Financial Statement and Budget Report 1996-97* (Red Book) on recent developments and prospects for the economy.

BACKGROUND

WORLD output and trade increased sharply in 1994, but growth has slowed this year. This has been the pattern in most of the major seven economies (G7). In the US, GDP rose by 4 per cent in 1994, but growth then slowed sharply in the first half of 1995. This was partly a stock adjustment, and there was a strong pick-up in growth in the third quarter. Europe also slowed down in the first half of 1995 after the more rapid growth of last year. But in Japan recovery is not yet firmly established.

G7 growth is projected to be 2½ per cent in 1995, down from 3 per cent last year. It is forecast to continue at 2½ per cent in 1996. Growth rates within the G7 should start to converge in 1996 as Japan finally starts to recover. The US economy is forecast to grow by around 3½ per cent in 1995 and slow to around 2½ per cent in 1996. Growth is also expected to average about 2½ per cent in Europe.

WORLD TRADE

THE slowdown in the world economy in the first half of the year has brought a slowing in world trade growth from the rapid rates of 1994. Nevertheless, world trade is expected to increase by 10½ per cent in 1995. It is forecast to grow at around 8½ per cent a year over the next 18 months, on the back of output growth at about trend rates in most industrial countries and continuing fast rates of growth in the emerging markets of Southeast Asia.

COMMODITY PRICES

NON-OIL commodity prices rose sharply in 1994, because of the combined effect of strong world trade, supply shortages and speculative pressures. But they fell back in the early months of 1995 and, despite a slight pick up recently, are not expected to be a source of renewed inflationary pressure. Brent oil prices have also fallen back, from a peak of around \$20 a barrel in April, to around \$16½ a barrel. The forecast assumes that oil prices remain close to this level.

INFLATION

THE pick-up in G7 consumer price inflation looks to have been short-lived. Inflation has already fallen back in the US, and has turned out

lower than expected in Germany (in part reflecting the rebasing of the index). In Japan, prices are broadly flat. With few cost-push pressures in the pipeline, output growth at trend rates, and probably still some spare capacity in aggregate, the outlook for inflation is benign. G7 inflation is forecast to remain at around 2½ per cent.

INTEREST RATES

IN THE US, the Federal Reserve began to tighten policy in February 1994, increasing the Federal Funds rate by three percentage points by February this year. It then cut rates by a ¼ percentage point in July. The Bundesbank cut its discount rate to 3½ per cent in August, the twelfth cut since the peak of 8½ per cent in September 1992. The Bank of Japan cut its discount rate to a record low of ½ per cent in September in response to the continued weakness of the Japanese economy. With renewed confidence that inflation will remain low, world long-term rates have generally fallen back in 1995, reversing most of the sharp increase last year.

DEMAND AND OUTPUT

GROWTH in the UK has also moderated this year. After increasing by 4 per cent in 1994, GDP grew at an annual rate of around 2 per cent over the first three quarters of 1995. However, because of the rapid growth through last year, GDP is still likely to increase by about 2½ per cent between 1994 and 1995. Manufacturing output growth has slowed and construction output has fallen. In contrast, the trend in output of services has continued fairly steadily upwards, with the output of the transport and communication industries rising especially fast.

Exports of goods rose by over 10 per cent in 1994, the largest increase for over 20 years. They flattened off in the first half of this year as world trade decelerated, and this is probably the main reason for the slower rise in manufacturing output. Consumers' expenditure has hardly slowed, on the latest data, despite the tightening of fiscal and monetary policies. Manufacturing investment in plant and machinery has picked up strongly. But, with construction comparatively weak, fixed investment in total is likely to grow more slowly this year. The growth of government consumption has also slowed.

Exports now appear to be picking up again. They remain highly profitable, and are likely to increase substantially next year if



Charting the economic course: Kenneth Clarke, the Chancellor, with his Treasury team of William Waldegrave, Chief Secretary, left, Angela Knight, Economic Secretary, David Heathcoat-Amory, Paymaster General, and Michael Jack, Financial Secretary

world demand continues to expand. Consumer demand may also strengthen as real disposable incomes rise more quickly. Business surveys suggest that business investment could rise quite strongly, but housing investment may remain weak for some time. Direct public sector investment is falling, but offsetting increases in private investment are expected under the private finance initiative. Stockbuilding, which has been quite high this year, could make a small negative contribution to growth next year.

With this outlook for the components of demand, GDP growth is expected to pick up from recent rates of around 2 per cent to 3½ per cent through 1996. This would imply an increase in GDP of 3 per cent in 1996 as a whole.

CONSUMERS' SPENDING

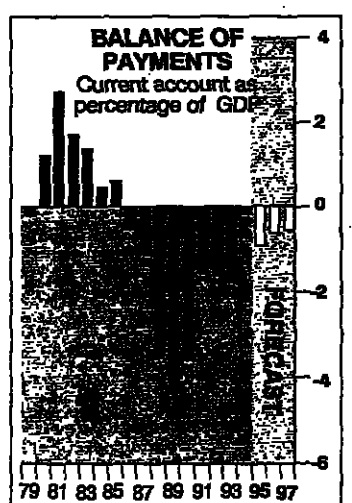
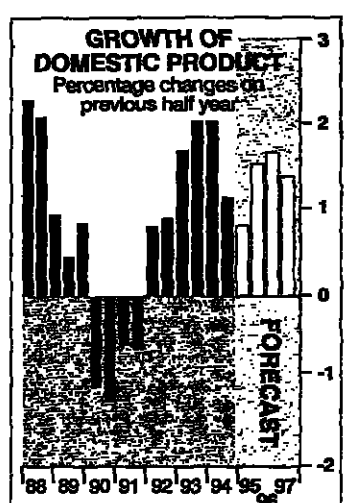
CONSUMERS' expenditure has risen by 2½ per cent at an annual rate over the first three quarters of this year, which is similar to its rate of increase during the course of last year. Retail sales have been broadly flat this year, and most of the growth in consumer spending has been on services (which are not included in retail sales). Real personal disposable income has risen more quickly this year, partly because of higher dividend payments. The saving ratio, which had fallen from 12½ per cent in 1992 to 9½ per cent in 1994, does not appear to have changed substantially this year.

Survey evidence suggests that consumer confidence has been on a slight upward trend in recent months, but consumers remain

wary about making major purchases. Despite the falls in 1993 and 1994, the saving ratio is still fairly high given the historically low rate of inflation, and households are accumulating substantial net financial assets. Their debt-income ratio, which rose steeply during the 1980s, has fallen slightly since 1991 and debt servicing costs have been sharply reduced as a result of lower interest rates. Saving for personal pensions, comparatively high real interest rates, job insecurity and the weakness of the housing market all suggest that the saving ratio could remain quite high for a time, and the forecast assumes only a comparatively small further fall. Real personal disposable income and consumption are forecast to rise by 2 and 2½ per cent respectively in 1995. Real incomes are projected to rise by 2½ per cent next year, partly because taxes are being reduced, and consumers' expenditure is forecast to grow 3½ per cent.

HOUSING MARKET

HOUSE prices are 2 per cent lower than at the start of the year, while turnover is over 13 per cent lower. Demand and supply may still be adjusting to some extent to the boom in the late 1980s. In addition, some potential house buyers, especially first-time buyers, may have been delaying moves until after the Budget. However, the latest data indicate that house prices may have reached the bottom of their cycle. The Department of the Environment index rose in the second quarter, and was unchanged in the third quarter; the Halifax index has now risen for three months in succession; and



although the Nationwide index fell in October, it is still above the level in June. Turnover also appears to have stabilised recently.

A modest housing market recovery is projected for 1996, encouraged by higher real income growth, low mortgage rates, an historically low house price-earnings ratio, and an increasing number of first-time buyers. To the extent that there is still pent up supply in the market, the recovery may be reflected at first more in turnover than prices, which are forecast to rise only slowly next year.

Housing completions have been on an upward trend; but this reflects the increase in starts last year, and with starts recently falling short of completions, the number of houses under construction has been falling. Nevertheless private housing investment (which includes improvements, maintenance and net purchases of land

and existing buildings as well as new housebuilding) is projected to rise by 3½ per cent in 1996.

EMPLOYMENT

EMPLOYMENT continues to rise. The employer survey measure shows an increase of 510,000 since its trough at the end of 1992, while the Labour Force Survey (LFS) measure has risen by 650,000 over a similar period. The employer survey shows employment growth slowing recently, with an increase of 80,000 in the first half of 1995, compared with 220,000 in the second half of last year. But the LFS measure shows little deceleration, with an increase of over 160,000 between the winter and summer, not much less than the increase in the previous half year.

Productivity rose less rapidly in the first half of this year, probably reflecting a lag in the adjustment of

employment to lower output growth. Non-oil output per person employed rose at an annual rate of 1½ per cent, compared with 2½ per cent in 1994. Over the next 18 months, non-oil productivity is projected to rise at around its trend rate. Manufacturing productivity has also slowed, for a similar reason, but is expected to pick up next year as output picks up.

UK claimant unemployment is now over 710,000 below its end-1992 peak. The monthly rate of decline has tended to slow for most of this year. It averaged around 12,000 a month in July to October, against an average last year of 30,000 a month. The LFS measure of unemployment in Great Britain has also fallen substantially and is now over 520,000 less than in winter 1992-93. On either measure, the unemployment rate has declined to 6.8½ per cent from 10½ per cent around end-1992.

However, the LFS measure of unemployment has changed relatively little since last winter. As employment has continued to rise, this implies a substantial increase in the labour force — the number of people either in or actively seeking work. According to the LFS, the number of economically active people in Great Britain, which had fallen by over 110,000 between winter 1992-93 (when unemployment peaked) and winter 1994-95, has since risen by over 140,000. Some of this rise is accounted for by demographic trends (more people of working age), but most is accounted for by a rising participation rate (a higher proportion of people in or seeking work). Participation had been falling because of increasing numbers of students and "discouraged workers", but is now rising, partly because more people are being attracted into the labour force by better job prospects.

PAY SETTLEMENTS

PAY settlements have picked up very slightly recently, but earnings growth remains low, suggesting a decreasing contribution from overtime, grading increments and bonuses. This is probably partly related to the slowdown in output growth, although it may also partly reflect new working practices which have reduced increments and allowances. The underlying rate of increase in average earnings for the economy as a whole was just 3½ per cent in the third quarter. This is close to the rate of increase recorded in autumn 1993, which in turn was the lowest since 1967.

With capacity utilisation in manufacturing at high levels, manufacturers were able to improve margins earlier in the recovery. But as manufacturing output has slowed, pressure on prices from this source has eased. Therefore, movements in prices this year largely reflect changes in costs. The CBI price expectations balance, which is a good leading indicator of producer output prices, peaked in February, and has recently been at its lowest level since the middle of 1994. The Chartered Institute of Purchasing and Supply survey also shows inflationary pressures in manufacturing easing.

Clarke says the firm control of spending will allow more money to be given to schools, hospitals and the police

Public sector borrowing forecast to fall to £22.5bn

EXTRACTS from the Red Book on government spending plans.

The Government's objective is to reduce public spending as a share of national income over time and, within the total, to improve the use of resources and the efficiency of markets throughout the economy. Objectives for specific programmes will be set out in departmental reports published in March.

The plans for public spending set out in this Budget, which cover the three financial years from 1996-97 to 1998-99, will reduce public spending as a share of GDP by 3½ percentage points and meet by 1997-98 the Government's objective of bringing spending to below 40 per cent as a share of national income.

CONTROL TOTAL

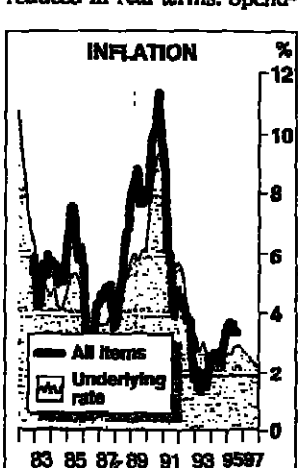
THE public spending objective is expressed in terms of the combined spending of central and local government — GGE(X). The Government seeks to achieve its objective by planning and controlling a narrower aggregate — the control total. The control total covers 85 per cent of total government spending. It differs from GGE(X) in that it excludes cyclical social security and debt interest, the two areas most affected by the economic cycle.

The control total for 1995-96 is forecast to be £255.5 billion, slightly below the plans in the last Budget (after taking account of classification changes). Social security spending is forecast to be higher than planned, but this is more than covered by the unallocated reserve of £3 billion within the control total. Planned spending has been increased on priority programmes, including schools, the National Health Service

and the police. These increases are funded from savings elsewhere. The costs of government are contained by tight control of departmental running costs, which are expected to fall by 12 per cent in real terms over the next three years. With greater private sector involvement in the provision of public services, through private finance and challenge funding, there is less need for direct investment by the Government.

The control total is planned to grow by 1½ per cent in 1996-97, 3 per cent in 1997-98 and 2½ per cent in 1998-99. On current projections of the GDP deflator, the real level of the control total is expected to increase by ½ per cent in 1995-96, fall by 1 per cent in 1996-97 and grow by ½ per cent in each of the subsequent two years. Over the next three years taken together, the control total is expected to be broadly unchanged in real terms.

For the fourth year in succession, the Government's cash spending plans have been reduced below those set out in the previous year. This has partly been the result of lower than expected inflation, but the plans have also been reduced in real terms. Spending



ing next year, 1996-97, will be £12 billion less than was projected when plans were first set in the 1993 *Public Expenditure Survey*.

In addition to measures which affect the control total, some measures in the Budget directly affect spending outside the control total. In particular, the Government has announced measures to reduce cyclical social security.

PUBLIC SPENDING

THE Government uses GGE(X) to measure its progress towards its objective of reducing public spending as a share of national income. This measure is based on national accounts aggregates. GGE(X) is projected to grow by 2½ per cent a year on average over the next three years. On current projections of the GDP deflator, the real level of GGE(X) is expected to grow by ½ per cent in 1995-96, fall by ½ per cent in 1996-97 and to grow by ½ per cent in 1997-98 and 1998-99. Over the next three years taken together, GGE(X) is expected to grow by less than ½ per cent in real terms. This is well below the projected growth rate of the economy, which means that GGE(X) is set to decline as a share of national income.

The changes in plans have been informed by the programme of fundamental expenditure reviews announced in February 1993 which has continued this year, with reviews of all remaining major departments, including Agri-

culture, Heritage, the Foreign and Commonwealth Office, Overseas Development Administration, the Office of Public Service and Science and spending on the environment and the countryside. The reviews consider long-term trends in spending, and examine ways of delivering public services more economically and effectively. The programme of reviews will be completed by the end of this Parliament.

CAPITAL SPENDING

OVER the survey years, this is forecast to remain at or above

PUBLIC SECTOR BORROWING										
£ billion	'94-5	'95-6	'96-7	'97-8	'98-9	'99-2000	2000-1			
General gov't expenditure	267.8	302	308	319	329	338	346			
Gen't gov't receipts	250.0	272	285	304	323	340	359			
GBBR	37.8	30	23	16	6	-2	-13			
Public corporations market and overseas borrowing	-1.9	-1	-1	-1	0	0	0			
PSBR	35.9	29	22	15	5	-2	-14			
Money GDP	678.0	712	754	795	836	876	918			
PSBR as % of money GDP	5¼	4	3	2	¾	-¼	-1½			

¹ Rounded to the nearest £1 billion from 1995-96 onwards.

OUTPUT AND INFLATION

	1985-6	1990-7	1997-8	1998-9/99-2000	2000-1
Money GDP	5	6	5½	5	4½
Real GDP:					
Non North Sea	2½	3	3	2½	2½
Total	2½	3	3	2½	2½
Inflation:					
RPI excluding MIPs	3	2½	2½	2	2
GDP deflator	2½	2½	2½	2	2

Nb. Forecasts for 1995-96 and 1998-97 and assumptions thereafter.

The Department of Transport will shortly be launching five more DBFO road projects, worth £500 million. In total, over £1 billion a year of capital spending on transport PFI projects is expected over each of the next three years — a significant addition to national investment in transport.

It is not only transport that is benefiting from private finance. Projects worth about £250 million are likely to be approved in the Health Service by the end of 1995-96, many of them for redevelopment of services in district general hospitals. One such scheme, which has been approved, is the £35 million, modernisation of the High Wycombe and Amersham sites of the South Buckinghamshire NHS Trust. Other examples of PFI projects include the redevelopment of government offices, water and sewerage facilities, prisons, and provision of information technology for government and other public services. Local authorities and public corporations as well as central government are benefiting. The projects range across the whole of the United Kingdom, providing a huge and varied opportunity for business in the construction, manufacturing and service industries.

A further set of PFI-related changes to the English and Welsh local government capital finance regulations was announced on October 31 and will be implemented from April 1996. These measures will give authorities greater freedom to harness private investment in the replacement and upgrading of buildings through, for example, DBFO arrangements. The Local Authority Associations has decided to set up its own private finance

unit, to start operations at the beginning of 1996-97.

CHALLENGE FUNDS

THE challenge funding approach to public spending complements the opportunities for bringing private sector resources and expertise into the delivery of public services that are available through the PFI.

Challenge principles have already been successfully used by some departments, most notably in urban regeneration projects. The first bidding round for new regeneration projects supported by the single regeneration budget was held in 1994. Two hundred bids were successful and are now receiving funding for projects. The successful bids drew together a wide range of partners from the public, private and voluntary sectors. The second round winners will be announced shortly, and there will be further bidding rounds in 1996 and 1997.

All departments are now exploring the options for extending the principles into new areas across the full range of government activities. New plans include challenge funds for transfer of deprived housing estates to private landlords, schools renewal and tackling housing benefit fraud.

PUBLIC PAY

The Government's approach to public sector pay, as reaffirmed by the Chancellor in his statement on September 18, is that pay increases should be offset, or more than offset, by efficiencies and other economies. The cost of pay settlements will need to be contained within expenditure provision.

□ A modest proposal for the boardroom □ Eurotunnel plugs away at the Euro-court □ Rolls sets out its stall in Hong Kong

A charitable view of non-executives

HERE is a modest proposal. A non-executive director is meant to be an independent voice prepared to give freely of his or her advice and experience, ensure the highest standards of financial probity and defend shareholders' interests.

Sounds like a worthy, almost charitable function. So shouldn't they all be doing it for nothing? Why not set up a floating pool of reciprocal directors, administered by Pro-Ned, perhaps, a body with an interest in promoting the idea, into which companies can put their candidates and out of which they can draw at least some of the non-executives they need. Not a penny need change hands.

The system would work thus. Company A throws one or two of its full-time directors, whether chairman, chief executive or whatever, into the pool. In return, once they are taken by another company, Company A can choose a matching number of pool members to sit on its own board as non-executives.

Instead, what happens at present is that a series of private arrangements are struck in the clubs and dining rooms where business leaders congregate. These behind-closed-doors deals go to construct those elegant daisy chains of directors that link companies in a complex and far too cosy web.

Defenders of this system say it allows executives to bring to their non-executive posts the skills and experience acquired in full-time employment. But the present arrangement has fallen into disrepute because it looks from the outside like so much highly lucrative back-scratching. Critics say non-executives are unable to act decisively because they are too close to their full-time colleagues and have too much to lose from kicking over the traces.

A free non-executive pool would not attract such criticism. Executives have always insisted, against all the evidence, that the money they now draw from their part-time roles elsewhere is not important to them, so one would assume it would cause little financial hardship.

Companies that decided not to take part in this new arrangement, or who threw in absolute duffers and saw no takers for them, would have to explain to shareholders why they were paying so many thousand pounds for non-execs while their competitors were getting them for free.

Such an arrangement would

avoid embarrassments like Ed Wallis's "little jobs" clanger, blurted out in front of the Select Committee this summer. It would also strengthen the role of the non-executive, who would have no financial incentive whatsoever to stay with a company he or she felt was heading down the wrong track.

Directors who walked out under such circumstances would, by contrast, have their reputation strengthened, because they would be seen as firm, independent-minded souls not afraid of speaking out. Surely that is just what boards want from their non-executives?

Fighting them on the ferries

NO ONE could accuse Sir Alastair Morton of ruling out any avenue in his fight to win value for his shareholders. In the same month that one highly speculative legal action, against the British and French railways, was thrown out by a European tribunal, Eurotunnel is pushing ahead with its onslaught on the

PENNINGTON



£600 million duty free trade across the Channel.

In February two High Court judges in London dismissed a claim that duty-free sales offered the ferry operators an unfair advantage. This failed on the highly technical grounds that Eurotunnel had taken too long to prepare its case, and the company was barred from going to the European Court of Justice.

Eurotunnel, which said at the time that the technical defeat had prevented the European Court from considering the substantive issues raised, has now been given a second chance. In Paris, the Tribunal de Commerce has allowed preliminary questions concerning the action against the French ferry operator SNAT to

be considered by the court. The earlier High Court case was against the booze cruise altogether. This latest action is narrower, claiming that the French ferries are cross-subsidising, using the money taken in their duty-free shops to cut fares.

Eurotunnel says that by contrast, its policy is to give back to the consumer "a very large part" of duty-free profits. Firm figures, supporting allegations of cross-subsidy or the tunnel operator's own claims of altruism, are hard to come by. Eurotunnel's main objection to duty free is a practical one, that goods cannot be sold on trains going through the tunnel but only at the terminals while they are available throughout ferry voyages.

The duty-free trade is, if you believe the Eurocrats, for the chop in June 1999 anyway, although in practice it will probably survive into the new millennium. An eventual victory for Eurotunnel, and heaven knows how long that might take, would require the French to pay compensation for all those years of unfair trading. But Eurotunnel units have plunged from

well over £3 a year or so ago to less than £1, and shareholders should pin no hopes on salvation from the European Court.

Relying on local talent

LOCAL risk is better understood by locals, and nowhere more so than in Hong Kong. The decision by Rolls-Royce to team up with local partners to develop an aero-engine overhaul business there shows a proper understanding of the street savvy needed to succeed in a geo-political world far from your own.

The world's aerospace industry is facing a tough period of adjustment to the emergence of Asian economic power. More aircraft are already crossing the Pacific than the Atlantic, and Asian air traffic is growing at up to 10 per cent a year, twice the world average.

But competition in this market in particular has wiped out profits on new engines for both Rolls and its American arch-rivals, General Electric and Pratt & Whitney. Improved reliability

has also doubled the interval between major engine overhauls to six or seven years, cutting consumption of spares.

So Rolls, like its rivals, is hoping to tap a new profit source by building up its repair and maintenance arm. Revenues from this source already account for £200 million a year in Britain alone, with perhaps as much again in North America.

Maintenance will not provide an instant panacea to the profits problem. But aftercare is now a key element of competitive advantage. Rolls is showing it is in Asia for the long haul, as well as the overhaul.

Small is confusing

THE discovery, by a government-backed survey, that small business does not oppose a minimum wage is so manifestly wrong that it is worth examining the methodology to see how it was arrived at. The survey takes in companies capable of making £1 million a year; that is, quite big businesses that mostly pay the proposed minimum wage already. It does not include the sort of four or five-man bands that most would think of as small businesses. They are designated micro-businesses. They do not pay a minimum wage, and they would run a mile from the idea. But they were not asked.

Rolls to link with Cathay Pacific in joint venture

By ROSS TIEMAN, INDUSTRIAL CORRESPONDENT

ROLLS-ROYCE has teamed up with Swire Pacific and Cathay Pacific Airways, its subsidiary, to develop a contract aero-engine overhaul business in the Far East (see Pennington, this page).

The deal provides Rolls with a dedicated overhaul business in the world's fastest-growing aviation market, to complement its established plants in North America and Britain.

Like General Electric and Pratt & Whitney of the US, its rival manufacturers, Rolls hopes maintenance revenues can compensate for water-thin profits on the sale of engines and falling revenues from

spare parts as engine reliability improves.

Rolls's new Pacific partner is Hong Kong Aircraft Engineering Company (Haeco), which undertakes engine overhauls, airframe servicing and line maintenance at Kai Tak airport. Swire owns 27 per cent of the company's shares, while Cathay has 25 per cent. The remaining 48 per cent are quoted on the Hong Kong stock exchange.

When Kai Tak closes in 1998, the airframe business will move out to the new airport at Chek Lap Kok. But the engine overhaul operation is being transferred into a

50/50 joint venture with Rolls-Royce, called Hong Kong Aero Engine Services (Haesl).

Rolls will pay Haeco US\$20 million. Haeco will inject its existing engine business, together with a new 120,000-lb thrust test-bed and facility being built at Tseung Kwan-O in Hong Kong. The partners will spend US\$100 million developing the facility.

Haesl will concentrate on the RB211 engine, used on the Boeing 747 and 737, and the new Trent series of big engines which power the Airbus A330 and Boeing 777. The bulk of the work will be provided by Cathay, which operates a fleet of 50 Rolls-powered aircraft.

Rise in mortgage approvals by banks

By PATRICIA TEHAN, BANKING CORRESPONDENT

THERE are early signs of a firming in the housing market after Britain's biggest banks reported a 14 per cent rise in new mortgage approvals in October.

Mortgage lending figures published by the British Bankers' Association (BBA) yesterday showed that gross lending fell 3 per cent to £1.93 billion last month from £1.99 billion in September. The fall slowed compared with the same period last year when the month-on-month change was 11 per cent lower.

Revised seasonally adjusted figures show that net lending last month, at £594 million, was down slightly on September's £604 million. The lending figures come from the main British banking groups, which include nine of the 20 largest mortgage lenders in the UK.

The figures are in contrast to the weakness of October building society figures. In October, net mortgage lending by Building Society Association members, which represent 50 per cent of the mortgage market, fell to £295 million, against £614 million in September.

New approvals by banks in October rose 14 per cent to 29,336 in number and by 12 per cent to £1.5 billion in value. This compares with falls in the volume and value of new approvals last October. The average value of approvals was £50,800.

Tim Sweeney, director-general of the BBA, said the approvals data could well point to a firming in the housing market next year.



On the defensive: Alan Sugar sounded a note of caution about Amstrad trading

Amstrad price suffers after warning

SHARES in Amstrad, the computer and electronics company chaired by Alan Sugar, fell 21.5p to 261.5p after the company sounded a note of caution about current trading at its annual meeting yesterday (Christine Buckley writes).

Mr Sugar told shareholders that Amstrad Direct, the business of selling personal computers direct without retail outlets, was on a learning curve and undergoing product expansion.

He said that it was unlikely that the direct selling business would contribute to the full-year results. Performance in Dancall, the company's mobile phone business, is now forecast to be below expectations for the first half after delays in product manufacture, but Mr Sugar said he remained upbeat about the division's contribution to the full year.

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Norcros to sell print division

By PHILIP PANGALOS

NORCROS, the ceramics to specialist print and packaging group, plans to sell its print and packaging division, a move that could raise more than £100 million.

Yesterday the company, which has recently completed its withdrawal from building products, said a £12 million exceptional gain from the disposal of five building products businesses helped pre-tax profits to recover to £18.7 million in the six months to September 30, up from £8.98 million previously. Turnover fell to £159.7 million (£194.2 million).

Cost reduction allowed the ceramics division to lift operat-

ing profits 6 per cent to £5.2 million, in spite of a 7.4 per cent drop in turnover to £64 million. About 250 jobs have gone at the group's operation in Stoke, reducing the total to 900 and providing cost savings of £5 million a year.

Despite rising raw material costs, the print and packaging division saw a modest rise in profits to £5.99 million, on turnover up 8 per cent to £57.8 million. Some specialist materials rose by up to 40 per cent year-on-year. Norcros was able to pass on some of them.

Michael Doherty, chair-

man, said the group is "over the worst and the balance sheet is stronger" as benefits flow through from the cost reduction programme.

Disposals helped to bring gearing down to 36.9 per cent at the interim stage, compared with 77.9 per cent at the end of March. Earnings, boosted by disposals, stood at 9.8p (3.3p) a share.

A lack of distributable reserves means that the board is not able to declare an interim dividend, compared with a payout of 3.5p last time. The shares eased 3p to 75p.

Bank	Buyers	Sells
Australia &	2.18	15.24
Austria Sch	18.74	44.83
Belgium Fr	48.89	2.050
Canada Cpt	0.745	0.890
Denmark Kr	9.27	8.47
Finland Mk	7.21	6.58
France Fr	8.08	7.43
Germany Dm	2.39	7.18
Greece Dr	367.00	365.00
Hong Kong S	12.85	11.85
Ireland Pt	1.02	0.94
Israel Sh	5.1700	4.8200
Italy Lit	2582.00	2427.00
Japan Yen	172.00	156.00
Malta	0.582	0.537
Netherlands Gld	2.658	2.428
New Zealand S	2.52	2.30
Norway Kr	10.79	10.79
Portugal Esc	244.20	228.00
S Africa Rd	rel.	5.43
Spain Pta	197.00	194.00
Sweden Kr	10.79	9.59
Switzerland Fr	1.93	1.75
Turkey Lira	rel.	80250.00
USA \$	1.20	1.20

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WORLD COVER

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STOCK MARKET

MICHAEL CLARK

Power surge as utilities escape a windfall tax

ANY remaining worries City investors may have had with the utilities were swept away by the Chancellor's Budget speech.

In late trading last night brokers reported a surge of institutional buying for both the water and regional electricity companies after the Chancellor announced he had looked at the possibility of a windfall tax but had rejected it, saying it would damage investment.

His decision was warmly received in the Square Mile, where speculation had intensified in recent weeks that it was planned to finance proposed tax cuts with a levy on the cash-rich utility companies.

Brokers said there was now likely to be a revival of speculative buying and that despite the recent refusal of bids for Midlands Electricity, up 5p to 92.5p, and Southern, 9p higher at 92.1p, the remaining regional electricity companies would eventually be bid for.

The best gains were seen in those companies yet to receive a bid. London rose 13p to 92.5p, Yorkshire 6p to 89.5p, East Midlands 9p to 86.5p and Northern 5p to 95.9p. There were also gains for PowerGen, 11p to 53.5p, and Seaboard, 3p to 64.4p.

There was also selective support among the water companies, with Severn Trent responding to half-year figures with a rise of 1p to 67.5p, and Thames, 9p to 56.5p.

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Three Month Eurodollar: Previous open interest: 15449. Dec 95: 109.10 109.10 109.07 109.15 9207.0 109.11 109.10 109.11 109.12 43736.0

Three Month Euro DM: Previous open interest: 90398. Dec 95: 95.12 95.13 95.10 95.16 15951.0 95.13 95.12 95.13 95.14 15951.0

Japanese Govt Bond: Previous open interest: 21460. Dec 95: 122.02 122.07 122.01 122.02 1137.0 122.03 122.02 122.03 122.04 1137.0

German Govt Bond: Previous open interest: 21460. Dec 95: 122.02 122.07 122.01 122.02 1137.0 122.03 122.02 122.03 122.04 1137.0

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Euro Swiss Franc: Previous open interest: 5996. Dec 95: 97.96 97.96 97.95 97.96 3945.0 97.97 97.96 97.97 97.98 3945.0

Italian Govt Bond: Previous open interest: 4199. Dec 95: 104.80 104.80 104.80 104.80 3784.0 104.81 104.80 104.81 104.82 3784.0

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ANY remaining worries City investors may have had with the utilities were swept away by the Chancellor's Budget speech.

In late trading last night brokers reported a surge of institutional buying for both the water and regional electricity companies after the Chancellor announced he had looked at the possibility of a windfall tax but had rejected it, saying it would damage investment.

His decision was warmly received in the Square Mile, where speculation had intensified in recent weeks that it was planned to finance proposed tax cuts with a levy on the cash-rich utility companies.

Brokers said there was now likely to be a revival of speculative buying and that despite the recent refusal of bids for Midlands Electricity, up 5p to 92.5p, and Southern, 9p higher at 92.1p, the remaining regional electricity companies would eventually be bid for.

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MAJOR INDICES

New York (midday): Dow Jones 5044.86 (-26.02)

S&P Composite 600.54 (-0.78)

Tokyo: Nikkei Average 19688.42 (+145.28)

Hong Kong: Hang Seng 9623.79 (+99.92)

Amsterdam: EOR Index 473.85 (-1.77)

Sydney: All Ordinaries 2155.0 (-2.3)

Frankfurt: DAX 2241.51 (+3.41)

Singapore: Straits 2113.43 (+5.98)

Brussels: General 7977.14 (+11.88)

Paris: CAC-40 1870.34 (-19.42)

Zurich: SMI 698.60 (-10.03)

London: FT 30 2676.1 (+3.1)

FT 100 3648.8 (-0.2)

FTSE-Mid 250 951.7 (-1.6)

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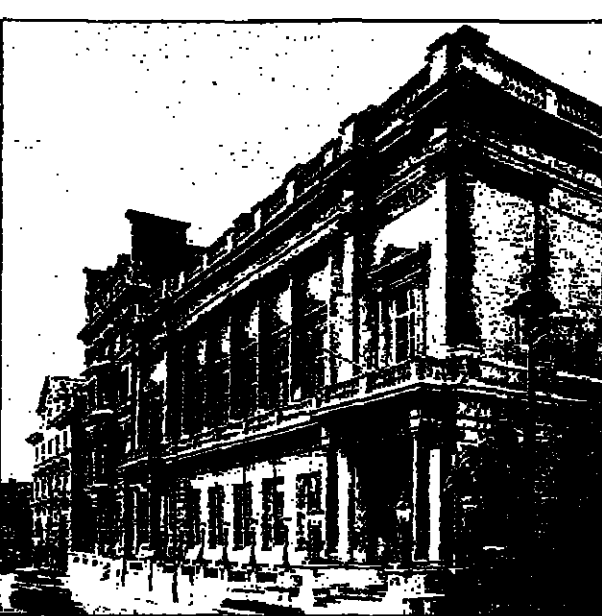
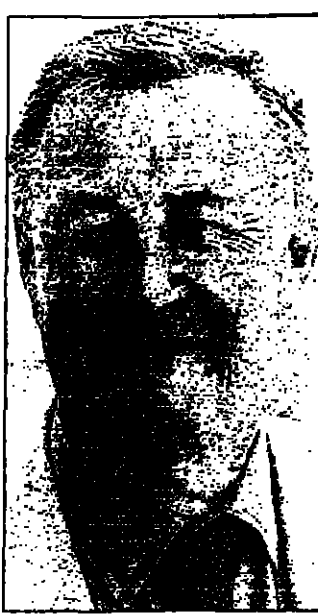
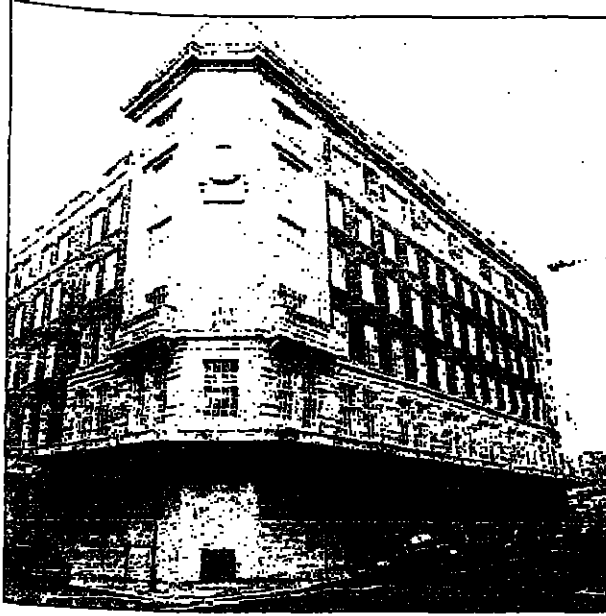
TEMPUS

Still losing height

NORCROS is a little like a hot air balloon that is running out of fuel. Ballast is being chucked out at regular intervals but the balloon keeps descending and the passengers' main objective is to avoid too big a bump when it hits the ground. Norcross has been selling off businesses at a rapid pace and with some justification. The Critical Windows sale earlier this month followed the disposal of the Crosby doors and kitchens businesses in June to rival Spring Ram.

This week Spring Ram warned of significant losses due to the dreadful state of the housing market and yesterday's figures from Norcross indicate that its remaining businesses, ceramic tiles and Triton showers, are being affected by shrinking volumes.

However, Norcross reckons it now has a business to take forward and the only part of



From left, the MI5 building, where hotel use was considered; Sir Terence Conran; Jonathan Evans, of Hillier Parker; and 74 St James's Street, where a hotel scheme is in the frame

Plenty of room in the capital for turning office space into hotels

Empty buildings in London are being snapped up for conversion by hoteliers, writes David Parsley

The past couple of years have been tough for London office estate agents, especially those trying to offload tired secondhand buildings, but they have finally found something which allows them to take their feet off the desk and do some deals.

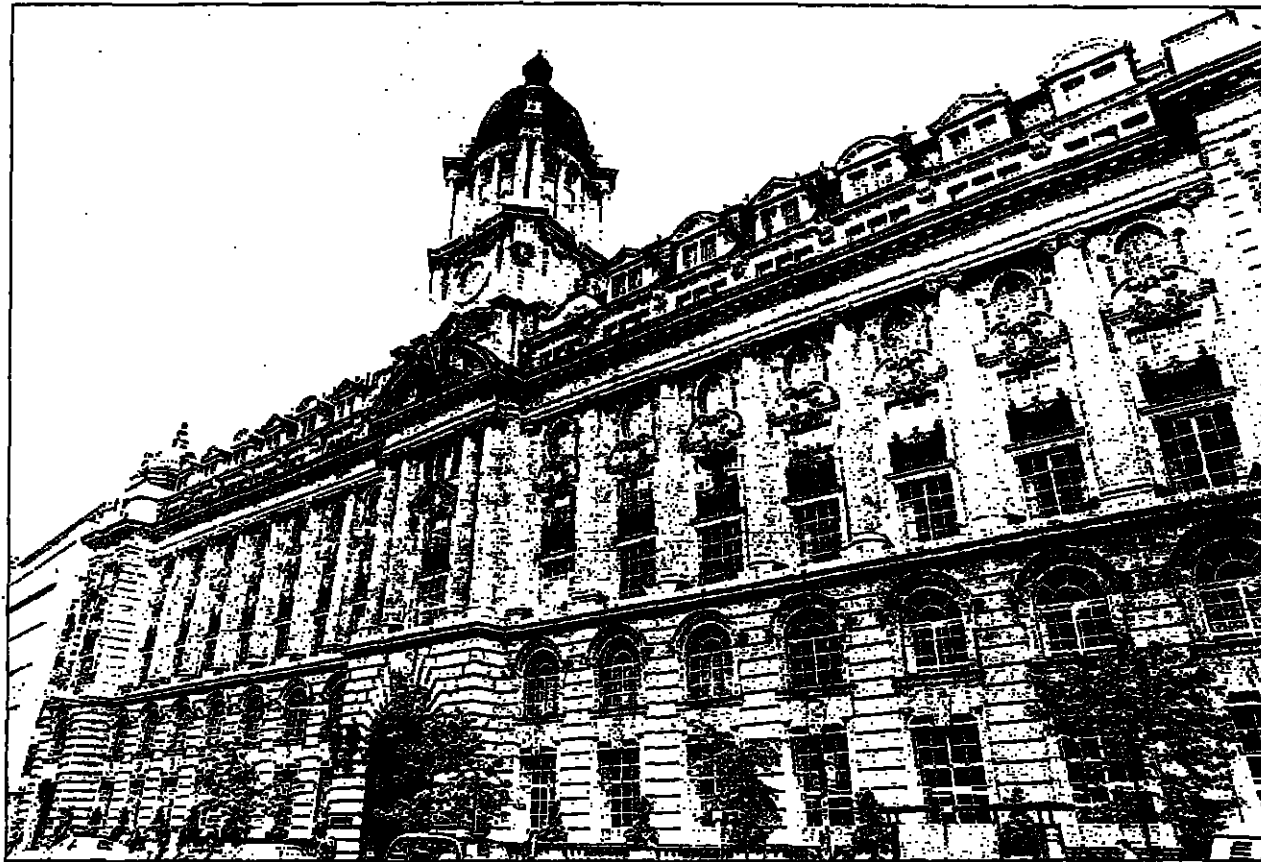
It is not office occupiers but overseas and UK hoteliers who are brightening up the lives of many a London surveyor, especially those in the Holborn and Covent Garden area. A dull letting market for secondary offices has combined with a healthy London hotel sector to stimulate a huge increase in the conversion of old offices into hotels.

At the top end of the market foreign tourists, attracted by favourable exchange rates, are coming to London in large numbers and fuelling demand for prime luxury hotel sites. The devaluation of sterling, after Britain's withdrawal from the European exchange-rate mechanism, is also attracting investors, especially from France and South-East Asia.

When the selling agents for what was termed the office development opportunity of the decade, the former MI5 headquarters at 1 Curzon Street, considered hotel use, it signalled a boom industry. Before awarding the site to Development Securities this month, Knight Frank & Rutley, the estate agents for the former spy HQ, had Japan Airlines' bid for conversion to a hotel on the shortlist of four.

Robert Chess, director of Chesterton's licensed leisure and hotels division, believes the new trend in hotel investment is a result of a "happy coincidence".

"Basically, there is an undersupply of rooms in the right location and of the right



A Malaysian group wants to turn the former Pearl Assurance headquarters in High Holborn into a four-star hotel

quality throughout central London," Chess says. "The decline in the office market and the keenness of hoteliers to buy new sites — sites that they can at last afford — has led to a significant new trend emerging in the market."

In spite of the plummeting values of offices over the past few years, hotels have either maintained or increased their residual value. This has led to hotels being on a par with many office investments.

However, for some hoteliers, funding such conversion projects can be difficult. As Jonathan Evans, of Hillier Parker, and others point out, there are few funds prepared to risk money on such developments because returns are typically as low as 5-7 per cent which barely covers funding costs.

Jonathan Hubbard, an associate in the hotels and leisure division of Weatherall Green & Smith, says: "Covenants have to be even stronger than for office occupiers if a

fund is to invest in a hotel conversion. They are beginning to look at it, but it is not a traditional area for them. Usually, the hotel operator will fund it themselves."

Mr Chess agrees, saying that the large hotel companies, such as Whitbread, have big enough pockets to carry out the deals on their own, which means that funding is not such an acute problem.

Nevertheless, some agents think that if funds were more aware of the market, then deals would come thicker and faster. "The phenomenon of hotel conversions in such numbers is relatively recent and it doesn't seem to have caught the imagination of the funds to the extent it should," one rather disappointed hotel agent says.

How long this phenomenon will continue depends upon how soon the secondhand office market recovers. Mr Chess gives the trend two or three years.

"I think the window of

opportunity is open now," he says. "We're hearing a lot of talk about hotels coming in and we're seeing a lot of action now. But I don't know whether this is a long-term phenomenon. When the new buildings round central London come on stream in 1996 and 1997 and the market picks up again, prices may rise too high for this level of hotel investment."

Kay Dymock, lead partner in Jones Lang Wootton's hotels department, is of the same opinion, but is keen to emphasise that in spite of looking at the cheaper end of the office market, hotel standards are just as high as those of offices. "A hotel has to meet as many, if not more, quality standards as today's offices," she says.

Another of the West End's major potential office developments also looks set for a change of use. Although 74 St James's Street is under a £21m offer from Pillar Property Investments for an office scheme, Hillier Parker, the

building's agents, have confirmed that this plan is under threat as an overseas hotel group has entered the frame. The identity of the overseas hotel operator is unknown, but market experts suggest it has become a favourite to acquire the site. A decision is due in the next few weeks. But sited just behind the famous Ritz, it would not be a surprise if 74 St James's Street was to become a competitor.

Mr Evans says the prime location, next to St James's Palace, is the main reason for it attracting interest from hotel groups.

"Hoteliers have become increasingly interested in moving into secondhand office buildings as it has become apparent that London is simply underbedded in the high-class hotel market," he says.

The enthusiasm for office conversions has seen a flood of inquiries to London's office agents, which they are having to pass on to their company's hotel experts.

The other areas in London which are attracting the hoteliers are sites next to or opposite railway stations. The two best examples are the Landmark Hotel opposite Marylebone Station, which began life as a hotel, but then became British Rail offices, and Whitbread's purchase, this month, of 141 Euston Road, opposite Euston Station, from CTS.

A beneficial spin-off from such hotel activity will be the rejuvenation of retail developments around the hotels. Midtown is in particular need of improved shopping facilities, according to most agents, and the influx of hotel operators to these areas is seen as a great stimulus.

No wonder London's undernourished and underwired surveyors are welcoming the hotel trend. As one West End agent put it: "So many more places to stay, eat, drink and shop. Can't be bad."

David Parsley is a writer for Property Week magazine.

A Malaysian group wants to convert the former Pearl Assurance headquarters at 252 High Holborn into a four-star hotel. Ringfield, an investor and developer, has paid AMP Asset Managers between £12 million and £13 million for the property. It aims to change the planning consent for offices to a 300-bedroom hotel.

Sir Terence Conran and the hotelier Gordon Campbell-Gray are about to buy the 1930s Inveresk House in Aldwych from Prudential for about £12.5 million, with plans for a luxury five-star hotel with 120 rooms.

Land Securities has also applied for planning permission to convert its Turnstile House in High Holborn into a hotel and is understood to have agreed to sell it for about £6 million to Orion, the French group, which plans to turn it into an apartment-style hotel.

Even City developers are getting in on the act with a couple of major conversions. City Development Management is negotiating a £35 million purchase of Britannic Tower in Milton Street from BP to turn part of it into a hotel.

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Clinton close to grounding \$2 billion stealth bomber

Ian Brodie on the bitter battle over America's B-bomber

Washington was yesterday witnessing the final act of a remarkable display of raw clout and staying power by America's defence industry against the pragmatic might of the White House.

The test of strength involved the B-2 bomber, which at a cost of \$2 billion per plane became the most expensive aircraft in the history of aviation.

Early this year, the B-2 appeared to be doomed. President Clinton and William Perry, Secretary of Defence, did not want to build any more than the 20 already under contract. Nor, amazingly, did the top brass of the US Air Force. Almost as surprisingly, Republican budget cutters, newly arrived in power, were also against any further expansion of the B-2 fleet.

In May, the General Accounting Office, the auditing arm of Congress, reported that for all its costly technology the B-2 in low-level flight was incapable of telling the difference between a rain-storm and the side of a mountain.

Yet when the defence budget came up for its final vote it contained enough money, nearly half a billion dollars, to ensure that the B-2 production line stayed open for another year at least. Just how the B-2's supporters, led by the plane's manufacturer, Northrop Grumman, had managed to keep the project alive seemed like a copy-book model of a successful lobbying campaign.

But all that was before the B-2 programme was unexpectedly taken hostage this week in a completely different fight over how Mr Clinton would find the \$15 billion he needs to send 20,000 American troops as Nato peacekeepers to Bosnia. Republicans controlling the purse strings in Congress are against sending the troops and told him he could not have the money. In that case, said the President, he would delay signing the defence budget. The B-2 was suddenly at risk again.

Facing a stalemate, the two sides were forced to bargain. A meeting was called for yesterday between Republican leaders and Leon Panetta, White House chief of staff, while Mr Clinton was preparing to leave for London. White House officials implied that some or all of the money intended for the B-2 and other military projects that Mr Clinton considers unnecessary should go instead towards the costs of Bosnia, in exchange for his agreement to sign the defence budget. Northrop executives

were left wondering nervously if they were in for a renewed, long struggle.

Northrop, based in Los Angeles, won the contract to build 132 B-2s in 1981. The aircraft became a symbol of President Reagan's determination to spend lavishly in strengthening US defences against the "Evil Empire" of Soviet Communism. Employing the new stealth skin covering, the B-2 would be all but invisible to enemy radar. Flying at 50,000 feet, it could dump 16 nuclear bombs on Russia in a single mission and make a clean getaway.

Then the world changed. When the Berlin Wall fell, the need for strategic bombers became moot. By 1989, a cost-conscious Congress voted to slow the rate of B-2 production. In the following years, the proposed fleet shrank from 132 to 75, then 30 and finally 20. With no Cold War, members of Congress complained that a unique and compelling role for the B-2 could not be established.



Horner: charm offensive

In girding for its latest fight, Northrop's B-2 Task Force attacked on two fronts, the need to retain the aircraft's industrial base and its continuing importance to national security.

Northrop had prudently spread the B-2 work around the country to every state so that when a Congressman announced his opposition to the B-2 he ran the risk of being smartly informed just how many jobs would be lost in his constituency.

Northrop's B-2 Task Force also launched a charm offensive. They rolled out experts such as Charles Horner, an affable retired US Air Force general who commanded the Gulf War bombing campaign. He is remembered for his televised briefings of precision-guided bombs scoring direct hits down the ventilation shafts of Iraqi targets.

The national security argument was supported by seven former secretaries of defence, their service stretching back 20 years.

Congress did not split along party lines. Rather, the divide was between so-called deficit hawks, those determined to balance the Government's books, and defence hawks, leading Republicans, normally united, were at the head of each faction.

The House vote, after an unusually heated debate, teetered back and forth on the electronic scoreboard. At the end, though, Northrop had a razor-thin victory, 213 to 210, to preserve the option to buy more B-2s. But yesterday that decision again hung in the balance.

Censored by the SE

TWO very respectable chairmen — Sir Derek Birkin of RTZ and John Uhrig of CRA — have suffered the indignity of being ordered to remove their photographs from a circular to shareholders. Sir Derek's letter to RTZ shareholders, arguing the merits of marriage with Australian mining group CRA, has a large white space on the inside cover. Why? "The Stock Exchange ruled that photographs could be deemed to be some form of inducement". The mind boggles!

I HOPE you weren't in dire need of help from the Inland

Revenue yesterday morning. A colleague phoned the Press office only to hear a recorded message "This is the Inland Revenue Press office. We are now closed until the Chancellor has finished his speech. We'd be happy to take calls as soon as he sits down".

Scribbler routed AFK-EXTel contacted a City analyst for comment on Portman Entertainment's joint

initiative with Pearson Television. This item came on the screens at 12.48: "Of course the bloody thing moved because of the statement, now sod off and stop wasting my time. I'm never going to talk to anyone from you collection of sad people again".

MORE readers' suggestions to name a British Airways perfume: Cloud Nine, Altitude, High Flyer (or Hi-Flyer), Serenity (unclouded

and safe), Care-Line, Octane, Mile High, Favor (from the world's favourite airline), Vertevort. One reader suggested Lavender — perfumed, disinfected and insect repellent, and it would kill off sneezes and coughs, while an unkind soul wanted B.A.Sick.

Hello Boys THOSE attending Henderson's 15th annual Pension Fund Conference earlier this week at

the Queen Elizabeth II Conference Centre, Westminster, say there's never been a presentation quite like it. Settling back into their seats after the morning coffee break, the largely male, essentially thirties something and generally assumed to be staid managers readied themselves to hear Peter Wiegand of lingerie group Claremont Garments present his paper. What better way to liven up a late morning session, Peter thought, than to

stage a fashion show, with live models? "Female models on a catwalk scantily dressed in lingerie certainly concentrated pension managers' minds," one delegate who has already booked his place for next year's conference said.

THE day after BZW revealed Richard Webb is returning to the UK after four years running its US operation, to a yet to be determined role in London, NatWest Markets has beefed up the role of Peter Hall, managing director of its North American operations. He will carry on running the New York operation as one of three deputy chief executives.

COLIN CAMPBELL

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Small firms untroubled by minimum wage idea

By Philip Bassett, Industrial Editor

BRITAIN'S small companies largely do not believe that a £4 an hour minimum wage would damage their business — and only a small proportion believe their operations would be hurt by the election of a Labour government, according to an authoritative government-funded study.

Labour leaders will be delighted at the findings of the study, which acknowledges that its conclusions run counter to the public claims of the Government and business organisations and which specifically suggests the Conservative Party is no longer the natural political home of small business owners.

Tony Blair, the Labour Party leader, is promoting a strong drive to woo business support, although ministers insist that business cannot afford not to support the Conservatives.

The survey, which is funded by the Economic and Social Research Council, the Government's main research body in the economic field, covers a carefully selected sample of 350 small businesses.

It says that small business owners have traditionally been seen as especially strong supporters of the Tories but says that its findings are "a rejection of the support for small firms which all the Conservative administrations since 1979 have proclaimed to be central to their policies".

The survey, carried out by Kingston University's small business research centre, shows that only 14 per cent of the small businesses sampled in a range of industrial sectors and locations around Britain believe that if Labour were elected in the forthcoming general election it would damage their business.

Further, 29 per cent believe a Labour government would actually help their business, with a third believing it would have no effect. The study says: "If the Labour Party, whose support for small businesses, while positive, is by no means

central to their policies, is perceived as likely to help or at least be neutral by the owner-managers, then the practical appeal of the Conservatives' policies can no longer be regarded as strong."

While most small firms do not feel that any particular political party can be described as helpful to their business, the study suggests that the fact that only a fifth of those surveyed offered the Conservatives in reply to this question suggests that Tony Blair's claim to have promoted enterprise through pro-small firms policies now do not appear to be accepted by them.

On the specific Labour policy of a minimum wage, the survey shows that "the idea that small business owners are uniformly against a minimum wage because they believe it would hurt their business is clearly not supported".

Fifty six per cent believe that a minimum wage set at £4, which is the key trade union target for a statutory minimum, would have no effect on their business, and 5 per cent believe it would actually help their firm. Forty per cent say it would hurt their business.

The study suggests that because a number of small business companies operate in higher paying areas such as information technology, they will be unaffected by minimum wage levels.

Labour welcomed the report. Barbara Roche, the party's small business spokeswoman, said its findings "reflect the reaction Labour is getting from small business — which is very warm".

But ministers insisted that it is the Conservative government's policies that offer the best advantages for small business in Britain.

Small Firms in Services — the 1995 Survey. Small Business Research Centre, Kingston University, Kingston-upon-Thames, Surrey KT2 7LB. £40.

Pennington, page 31



Michael Watts, left, and Paul Rivers, finance director, saw sales of Old Speckled Hen beer soar in the off-trade

New chief appointed at MDIS

JOHN KLEIN, 54, has been appointed chief executive of McDonnell Information Systems Group, the beleaguered computer services company that has been plagued by a string of profit warnings and boardroom upheavals.

Shares in MDIS have been savaged by three profit warnings in less than one year, the last of which, in August, was accompanied by a dive into the red and the resignation of Jerry Causley as chief executive.

At the time, MDIS shares slid to 62½p, compared with a flotation price of 260p in March 1994, and Ian Davison, the group's non-executive chairman, took up Mr Causley's duties until a suitable replacement was found.

MDIS shares firmed 2p to 72p.

Tecs leaders seek greater freedom from government

By Our Industrial Editor

TRAINING and Enterprise Councils (Tecs), the business-led bodies that now run training for the Government in Britain, should now be allowed to become self-regulating, Tecs leaders said yesterday.

Both business and Whitehall share considerable concern about Tecs and the councils' call for greater freedom from current operational controls is likely to be viewed with some scepticism.

Giving evidence yesterday to the Nolan Committee on Standards in Public Life, the Tecs' national council claimed that the councils have delivered "substantial increases in value for money during the last five years".

The national council added

that this should "not be circumscribed by some clumsy and repetitious controls".

Many business leaders who sit on the governing bodies of Tecs locally believe that they are overregulated and overaudited, though Treasury officials remain keen to ensure that the financial accountability of the councils is maintained.

Sir Garry Johnson, chairman of the national council, said that the accountability of Tecs accorded with the Nolan committee's recommendations on operating standards, and said that the councils' existing contractual and audit arrangements were already "extremely rigorous".

He added, however, that they were "over-burdensome and could be significantly streamlined".

Tecs' successes in adopting a range of codes of standards, and bringing in tough financial controls, "indicate that they should now be allowed to become self-regulating".

Sir Garry called particularly for Tecs' accountability to Parliament to end with the contract between the Government's regional offices and the Tecs, rather than go beyond that into more detailed scrutiny.

Chairman of Morland stands down

By Christine Buckley

THE chairman of Morland & Co, the Oxfordshire-based brewer that makes Old Speckled Hen beer, has resigned after declaring complete transition of the company.

Morland, which fended off a bid from Greene King three years ago, has been undergoing a boardroom shake-up for the past year. Last November, Jasper Clutterbuck, chairman and then chief executive, split his roles and Michael Watts, who was then managing director, became chief executive.

Mr Clutterbuck said yesterday: "In the last few years we have built up a young and able management team under Michael Watts and my role has been increasingly to watch over this transition." Mr Clutterbuck will be succeeded as chairman by Martin Mays-Smith, a non-executive director.

Morland, which in August bought the Unicorn Inns chain of pubs and ten freehold manufacturing sites in the South of England, increased pre-tax profits, excluding property disposals, by 10.7 per cent to £11.02 million in the year to September 30.

Old Speckled Hen sales rose 200 per cent in the off-trade. The final dividend, to be paid on January 31, is 8.4p, lifting the total 11.5 per cent to 11.7p.

Tempus page 32

Pilkington disposals in US raise \$77m

PILKINGTON, the UK glass manufacturer, has sold two businesses from its Visioncare division for a total of \$77 million. The worldwide lenscare operations of Pilkington Barnes-Hind have been sold to Allergan. Completion is expected by the end of the month. The Paragon Optical division has been sold to a subsidiary of Summit Partners, an investment company based in the United States. Pilkington continues to own the Pilkington Barnes-Hind subsidiary which operates a worldwide business involved in the manufacture and sale of contact lenses. The exceptional profit arising on the disposals is £10 million.

The lenscare business has manufacturing operations in the United States and sells cleaning and sterilising solutions for contact lenses. Paragon Optical manufactures and markets polymer materials used in the production of rigid gas permeable contact lenses, largely in the US. In the year to March 31, the combined businesses had \$58 million sales.

Yes to merger at Lloyds

LLOYDS BANK shareholders have approved the bank's £13.6 billion merger with TSB by an overwhelming majority. The bank told the Stock Exchange yesterday that shareholders representing 566.6 million shares voted for the deal and those with 5.7 million shares against. TSB shareholders meet in Glasgow today to approve the bank's reverse takeover by Lloyds. The banks propose Lloyds shareholders will hold 70.7 per cent and TSB shareholders 29.3 per cent of the share capital of the new Lloyds TSB. If the deal is approved on both sides, the banks will ask the High Court to approve a scheme of arrangement to enable them to proceed on December 18.

Recruits for OECD

POLAND, Hungary, Slovakia and South Korea will join the Organisation for Economic Co-operation and Development (OECD) by the end of next year, according to Jean-Claude Paye, secretary-general of the rich nations' thinktank. He was commenting on future members at yesterday's signing ceremony in Paris to mark the Czech Republic becoming the OECD's 26th member and the first country from the former Soviet bloc to join. The OECD expects the Czech Republic to achieve per capita output this year well ahead of Mexico, the last country to join the organisation.

Euromoney falls

EUROMONEY PUBLICATIONS suffered a 24 per cent fall in profits to £18.2 million in the year to September 30, as forecast in its trading statement to the Stock Exchange last month. The dividend for the year has been increased by 1p to 43.5p with the final payment held at 29.5p, due on January 22. Profits were hit by a rise in the tax charge to 37.4 per cent, because of unrelieved tax losses and a larger number of shares in issue. Euromoney said the effects of rationalisation at AIC, its 75 per cent-owned seminar business, would not flow through to results until February. The company said that the strength of its titles should help it to recover.

Concentric advances

CONCENTRIC, the engineering products company, lifted pre-tax profits to £11.28 million from £10.24 million in the year to September 30 despite the adverse impact of substantial increases in the price of raw materials. Earnings were 14.4p a share against 12.73p last time. A final dividend of 4.66p, due on January 18, lifts the total to 6.61p from 6.15p. The shares rose 10p to 171p yesterday. During the year the company won an order to supply the Hughes Corporation with satellite transmission receiving dishes and was chosen by Daimler Benz to supply components for a new range of diesel engines.

Vauxhall strike deferred

LEADERS of trade unions at Vauxhall, the motor manufacturer, yesterday decided to defer for one week industrial action over pay that had been due to hit the company today. After a legal challenge by the company about the notice given for an overtime ban and a strike for two hours every week, union leaders yesterday accepted there was a "technicality" over the action, and put it off until next Wednesday, when both sides are due to meet for fresh talks over Vauxhall's two-year 3.5 per cent plus inflation pay offer.

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Crabtree expands via \$33m US buy

By Martin Barrow

CRABTREE Group, the maker of machinery for the can-making industry, announced the acquisition of Oven Systems, Inc. (OSI), for \$33.35 million yesterday, significantly expanding the company's interests in North America.

OSI, of Wisconsin, designs and makes convection and radiation ovens, washers and dryers. It claims world leadership in production of industrial ovens for use in the manufacture of two-piece cans.

The acquisition will be part-financed by a placing and open offer of new shares at 352p each, raising £17.41 million. The balance will be financed through new bank facilities. Existing shares rose 14½ to 354p yesterday.

Crabtree primarily makes metal-decorating machinery for the can-making industry. It designs, produces and installs printing, coating and sheet-handling equipment for the manufacture of three-piece cans to order for customers in more than 60 countries.

OSI's customer base spans multinational beer and beverage can makers and companies within the battery and electric motor industries. In the year to January 31, it earned operating profits of \$1.07 million on turnover of \$27.91 million. Year-end net assets were \$4.20 million.

Yesterday Crabtree also announced a rise in pre-tax profits to £4.88 million for the 12 months to September 30, from £4.11 million. Earnings were 21.6p a share (18.6p). A final dividend of 5.25p a share, due March 14, makes 9p (8p).



Win a 9-day trip to Syria worth £2,350

The Times and The Sunday Times are offering readers the chance to win one of 80 holidays for two, plus 10 per cent discounts, to a range of destinations throughout the world.

Today's prize for two is a holiday worth £2,350 to Syria. You will fly to the capital, Damascus, said to be the oldest continuously inhabited city in the world and continue to the beautiful oasis town of Palmyra on the northern edge of the desert. You will visit Bosra which is mentioned in Egyptian texts as early as 1300 BC and where there is one of the best preserved Roman theatres in the world.

During the nine-day tour you will explore Aleppo, dominated by the huge 12th century citadel, visit the monastery of St Simeon, stay at the coastal town of Latakia and see Crac des Chevaliers, an imposing hilltop castle (above), once the headquarters of the Knights of St John.

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HOW TO WIN

To win today's holiday answer the question below and phone our competition hotline: 0891 40 50 34 which is open until midnight tonight. The winner will be chosen at random from all correct entries received. Normal Times Newspapers competition rules apply.

1. Which town is dominated by a 12th century citadel?
Calls are charged at 35p per minute cheap rate and 45p at all other times.

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Cox & Kings offers readers 10% discount on today's holiday and all the holidays featured this week. The price covers flights, transfers and shared double room. For a brochure, please call:

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TOMORROW: WIN A HOLIDAY TO ISRAEL

UNIT TRUST PRICES 35

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Equities mark time

TRADING PERIOD: Settlement takes place five business days after the day of trade. Changes are calculated on the previous day's close, but adjustments are made when a stock is ex-dividend. Changes, yields and price/earnings ratios are based on middle prices.

Equities mark time

TRADING PERIOD: Settlement takes place five business days after the day of trade. Changes are calculated on the previous day's close, but adjustments are made when a stock is ex-dividend. Changes, yields and price/earnings ratios are based on middle prices.

1995	Low	Company	Price	High	1995	Low	Company	Price	High	1995	Low	Company	Price	High	1995	Low	Company	Price	High
BANKS																			
329	121	ABN-AMRO	207.5	122	113	10	ABN-AMRO	207.5	122	113	10	ABN-AMRO	207.5	122	113	10	ABN-AMRO	207.5	122
622	41	Bank of America	61.5	42	175	10	Bank of America	61.5	42	175	10	Bank of America	61.5	42	175	10	Bank of America	61.5	42
38	18	Bank of Montreal	18.5	19	113	10	Bank of Montreal	18.5	19	113	10	Bank of Montreal	18.5	19	113	10	Bank of Montreal	18.5	19
215	131	Bank of New York	131.5	132	103	10	Bank of New York	131.5	132	103	10	Bank of New York	131.5	132	103	10	Bank of New York	131.5	132
425	215	Bank of Scotland	215.5	216	153	10	Bank of Scotland	215.5	216	153	10	Bank of Scotland	215.5	216	153	10	Bank of Scotland	215.5	216
535	418	Bank of Wales	418.5	419	295	10	Bank of Wales	418.5	419	295	10	Bank of Wales	418.5	419	295	10	Bank of Wales	418.5	419
485	295	Bank of West	295.5	296	185	10	Bank of West	295.5	296	185	10	Bank of West	295.5	296	185	10	Bank of West	295.5	296
425	215	Bank of Yorkshire	215.5	216	153	10	Bank of Yorkshire	215.5	216	153	10	Bank of Yorkshire	215.5	216	153	10	Bank of Yorkshire	215.5	216
425	215	Bank of Ireland	215.5	216	153	10	Bank of Ireland	215.5	216	153	10	Bank of Ireland	215.5	216	153	10	Bank of Ireland	215.5	216
425	215	Bank of London	215.5	216	153	10	Bank of London	215.5	216	153	10	Bank of London	215.5	216	153	10	Bank of London	215.5	216
425	215	Bank of Paris	215.5	216	153	10	Bank of Paris	215.5	216	153	10	Bank of Paris	215.5	216	153	10	Bank of Paris	215.5	216
425	215	Bank of Rome	215.5	216	153	10	Bank of Rome	215.5	216	153	10	Bank of Rome	215.5	216	153	10	Bank of Rome	215.5	216
425	215	Bank of Spain	215.5	216	153	10	Bank of Spain	215.5	216	153	10	Bank of Spain	215.5	216	153	10	Bank of Spain	215.5	216
425	215	Bank of Sweden	215.5	216	153	10	Bank of Sweden	215.5	216	153	10	Bank of Sweden	215.5	216	153	10	Bank of Sweden	215.5	216
425	215	Bank of Switzerland	215.5	216	153	10	Bank of Switzerland	215.5	216	153	10	Bank of Switzerland	215.5	216	153	10	Bank of Switzerland	215.5	216
425	215	Bank of the Netherlands	215.5	216	153	10	Bank of the Netherlands	215.5	216	153	10	Bank of the Netherlands	215.5	216	153	10	Bank of the Netherlands	215.5	216
425	215	Bank of Belgium	215.5	216	153	10	Bank of Belgium	215.5	216	153	10	Bank of Belgium	215.5	216	153	10	Bank of Belgium	215.5	216
425	215	Bank of Greece	215.5	216	153	10	Bank of Greece	215.5	216	153	10	Bank of Greece	215.5	216	153	10	Bank of Greece	215.5	216
425	215	Bank of Italy	215.5	216	153	10	Bank of Italy	215.5	216	153	10	Bank of Italy	215.5	216	153	10	Bank of Italy	215.5	216
425	215	Bank of Japan	215.5	216	153	10	Bank of Japan	215.5	216	153	10	Bank of Japan	215.5	216	153	10	Bank of Japan	215.5	216
425	215	Bank of Korea	215.5	216	153	10	Bank of Korea	215.5	216	153	10	Bank of Korea	215.5	216	153	10	Bank of Korea	215.5	216
425	215	Bank of Taiwan	215.5	216	153	10	Bank of Taiwan	215.5	216	153	10	Bank of Taiwan	215.5	216	153	10	Bank of Taiwan	215.5	216
425	215	Bank of Hong Kong	215.5	216	153	10	Bank of Hong Kong	215.5	216	153	10	Bank of Hong Kong	215.5	216	153	10	Bank of Hong Kong	215.5	216
425	215	Bank of China	215.5	216	153	10	Bank of China	215.5	216	153	10	Bank of China	215.5	216	153	10	Bank of China	215.5	216
425	215	Bank of India	215.5	216	153	10	Bank of India	215.5	216	153	10	Bank of India	215.5	216	153	10	Bank of India	215.5	216
425	215	Bank of Australia	215.5	216	153	10	Bank of Australia	215.5	216	153	10	Bank of Australia	215.5	216	153	10	Bank of Australia	215.5	216
425	215	Bank of New Zealand	215.5	216	153	10	Bank of New Zealand	215.5	216	153	10	Bank of New Zealand	215.5	216	153	10	Bank of New Zealand	215.5	216
425	215	Bank of South Africa	215.5	216	153	10	Bank of South Africa	215.5	216	153	10	Bank of South Africa	215.5	216	153	10	Bank of South Africa	215.5	216
425	215	Bank of Argentina	215.5	216	153	10	Bank of Argentina	215.5	216	153	10	Bank of Argentina	215.5	216	153	10	Bank of Argentina	215.5	216
425	215	Bank of Brazil	215.5	216	153	10	Bank of Brazil	215.5	216	153	10	Bank of Brazil	215.5	216	153	10	Bank of Brazil	215.5	216
425	215	Bank of Mexico	215.5	216	153	10	Bank of Mexico	215.5	216	153	10	Bank of Mexico	215.5	216	153	10	Bank of Mexico	215.5	216
425	215	Bank of Chile	215.5	216	153	10	Bank of Chile	215.5	216	153	10	Bank of Chile	215.5	216	153	10	Bank of Chile	215.5	216
425	215	Bank of Peru	215.5	216	153	10	Bank of Peru	215.5	216	153	10	Bank of Peru	215.5	216	153	10	Bank of Peru	215.5	216
425	215	Bank of Colombia	215.5	216	153	10	Bank of Colombia	215.5	216	153	10	Bank of Colombia	215.5	216	153	10	Bank of Colombia	215.5	216
425	215	Bank of Venezuela	215.5	216	153	10	Bank of Venezuela	215.5	216	153	10	Bank of Venezuela	215.5	216	153	10	Bank of Venezuela	215.5	216
425	215	Bank of Ecuador	215.5	216	153	10	Bank of Ecuador	215.5	216	153	10	Bank of Ecuador	215.5	216	153	10	Bank of Ecuador	215.5	216
425	215	Bank of Bolivia	215.5	216	153	10	Bank of Bolivia	215.5	216	153	10	Bank of Bolivia	215.5	216	153	10	Bank of Bolivia	215.5	216
425	215	Bank of Paraguay	215.5	216	153	10	Bank of Paraguay	215.5	216	153	10	Bank of Paraguay	215.5	216	153	10	Bank of Paraguay	215.5	216
425	215	Bank of Uruguay	215.5	216	153	10	Bank of Uruguay	215.5	216	153	10	Bank of Uruguay	215.5	216	153	10	Bank of Uruguay	215.5	216
425	215	Bank of Cuba	215.5	216	153	10	Bank of Cuba	215.5	216	153	10	Bank of Cuba	215.5	216	153	10	Bank of Cuba	215.5	216
425	215	Bank of Haiti	215.5	216	153	10	Bank of Haiti	215.5	216	153	10	Bank of Haiti	215.5	216	153	10	Bank of Haiti	215.5	216
425	215	Bank of Dominican Republic	215.5	216	153	10	Bank of Dominican Republic	215.5	216	153	10	Bank of Dominican Republic	215.5	216	153	10	Bank of Dominican Republic	215.5	216
425	215	Bank of Puerto Rico	215.5	216	153	10	Bank of Puerto Rico	215.5	216	153	10	Bank of Puerto Rico	215.5	216	153	10	Bank of Puerto Rico	215.5	216
425	215	Bank of Barbados	215.5	216	153	10	Bank of Barbados	215.5	216	153	10	Bank of Barbados	215.5	216	153	10	Bank of Barbados	215.5	216
425	215	Bank of Guyana	215.5	216	153	10	Bank of Guyana	215.5	216	153	10	Bank of Guyana	215.5	216	153	10	Bank of Guyana	215.5	216
425	215	Bank of Suriname	215.5	216	153	10	Bank of Suriname	215.5	216	153	10	Bank of Suriname	215.5	216	153	10	Bank of Suriname	215.5	216
425	215	Bank of Trinidad and Tobago	215.5	216	153	10	Bank of Trinidad and Tobago	215.5	216	153	10	Bank of Trinidad and Tobago	215.5	216	153	10			

Taking to the water

British Waterways, one of the few remaining nationalised industries, is responsible for managing and conserving 2,000 miles of canals and inland waterways. It owns nearly 5,000 bridges and 2,200 listed structures, including 408 buildings, and its waterways attract more than 150 million visitors a year.

The organisation's annual income of £88 million includes government grants, of about £50 million, which have remained static for some years. Income from other sources — property (50 per cent), leisure uses (25 per cent) and freight (25 per cent) — has risen from £20 million to £40 million in the past six years.

An increasingly important part of British Waterways activities, however, is in urban regeneration. It does not undertake property development itself but frequently goes into partnership with local authorities, development corporations and the private sector to improve the environment, particularly in city centres.

"We do not take risks, for we have to get the best result for the taxpayer. There have been schemes where we have matched the investment, some of which have failed. But we retain the bricks and mortar and the land, so we do not lose," says Ian Valder, British

Christopher Warman reports on the conservation and redevelopment activities of British Waterways

Waterways' commercial director. "We are helping to change attitudes from 'backing onto the canal' to 'fronting the canal', from a negative to a positive approach. Everybody likes the waterside, and they like British Waterways' involvement because it gives assurance for the future in maintenance and conservation."

The success of its joint ventures was recently recognised with an award to Birmingham for the regeneration of the city-centre canal-side around Gas Street Basin and Brindleyplace, a development by British Waterways, Birmingham City Council and the developer, Brindleyplace. Last month's award for "excellence on the waterfront" organised by The Waterfront Centre, Washington DC, and shared with New York and Boston, is the first time a British city has been a winner.

Sheffield Basin, a 30-acre site close to the city centre, is one of its latest ventures. The basin, with a number of historic and listed buildings, last saw freight in 1970, and had steadily become derelict. A number of attempts to revive the area failed, until in 1993

British Waterways and Sheffield Development Corporation joined forces to enable redevelopment to take place.

Richard Curtis, commercial manager (North East), recalls that after the latest private sector scheme failed, "we realised we had to put money into the project. We could not leave it just to the private sector."

British Waterways leased the Grain and Terminal warehouses to the SDC, and retained the historic Straddle Warehouse which, as its name suggests, straddles the waterway. The £2.6 million Straddle scheme, providing 21,000 sq ft of offices now on the market, was helped by a £1.5 million grant from the corporation, while British Waterways financed the rest and restored the canal basin to provide better boating facilities.

In addition to the restoration of other buildings as offices, shops and restaurants, the overall scheme has two new buildings under construction and a hotel is planned.

When completed, the £35 million Sheffield Basin development is intended to be a major destination for boaters

to encourage use of the much-improved facilities on the Sheffield & South Yorkshire Navigation. "Where a previous large scheme failed, our more modest one — leading to overall regeneration — has succeeded. We have been a catalyst," says Mr Curtis.

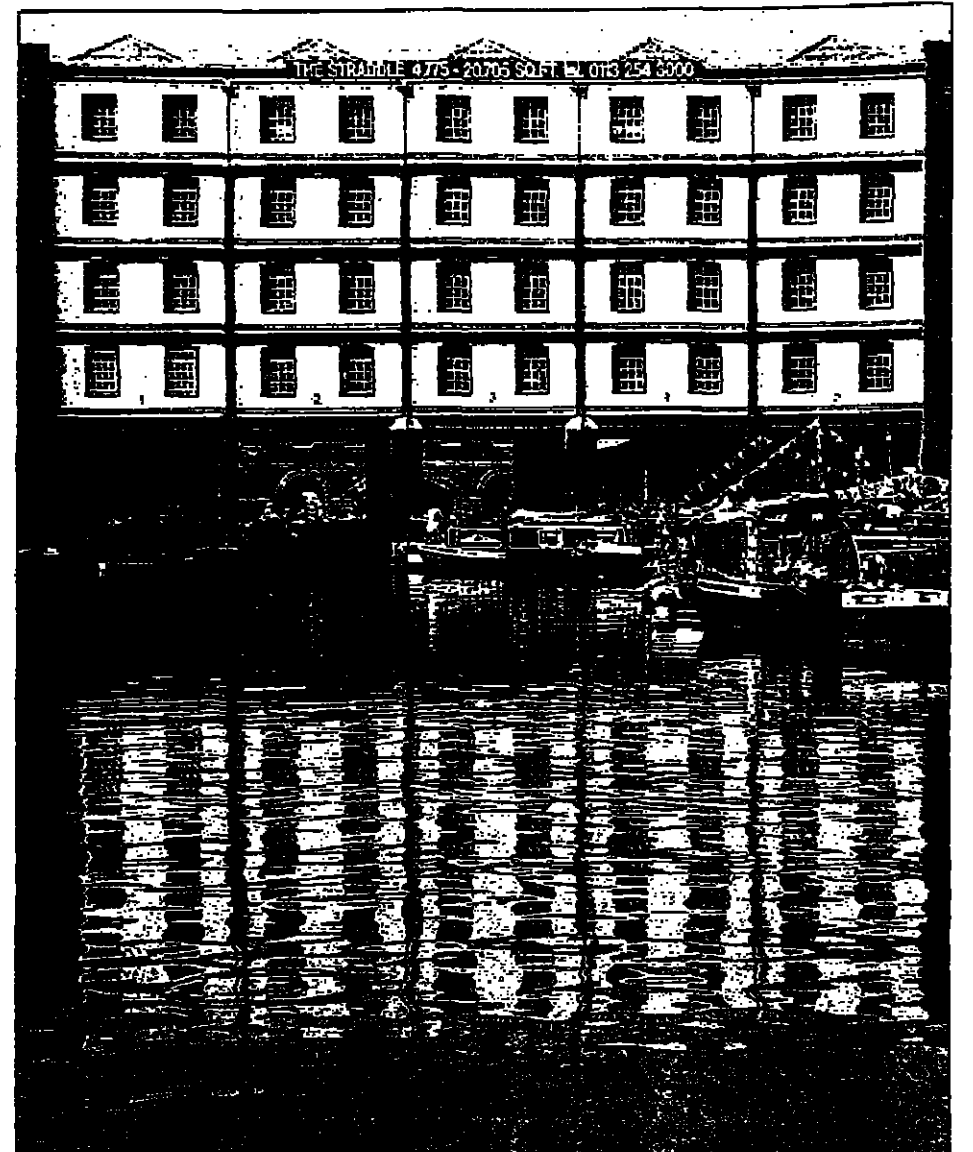
Another exciting scheme is for the Royal Armouries Museum at Clarence Dock, Leeds, which is due to open next March. With £20 million from the Government, £5 million from the Leeds Development Corporation and the remainder from a private finance

initiative, the £42.5 million project stands on 13 acres of land owned by British Waterways, which also owns the dock and adjoining lands and operates the Aire & Calder Navigation. British Waterways is involved with dozens of schemes throughout the country, from Gloucester Docks, one of the first of its projects, to City Challenge schemes. Of 35 such schemes that it supported, 17 have been successful.

British Waterways claims it "is not only preserving Britain's working waterway heritage but is linking it to the waterside community and economy to mutual advantage through urban and rural regeneration initiatives".



Before and after: British Waterways involvement has helped to redevelop the derelict Straddle Warehouse in the Sheffield Basin, near the city centre



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Let them tell their story — after the trial

Call a dog a bad name and hang him. Santayana? Never mind. The ugly phrase, "cheque-book journalism", is being trotted out to mask a chronic fear of the press that is approaching the advanced stages of paranoia.

All journalism is cheque-book journalism: words for money. Would you prefer "vanity press" — people paying to put their own words into print because no one else wants to read them? For that matter, all press is commercial press, unless it is subsidised by government or special interests. Such freshets are not a very enticing read: just try those papers full of adverts for carpet warehouses and escort bureaux that thud through the letterbox every weekend, frightening the cat and littering the hallway.

Oh but — the cry has gone up — something dreadful happened in Winchester Crown Court. Not only the revelation of two unchecked homicidal sex maniacs but the buying of witnesses' stories on an unprecedented scale: 20 or more, one fetching £100,000. Lord Wakeham of the Press Complaints Commission, true to form, has rushed in to suggest a tightening of the press's voluntary code against payments to witnesses or potential witnesses in criminal proceedings.

This is unwise. The PCC's relevant clause contains a loophole — "unless in the public interest" — which it is not in the press's interest to close. Safeguarding the impartiality of trials is a responsibility of the justice system, not of the press.

So why, asked a letter to *The Times* on Monday, has legislation, as recommended by the Phillimore committee in 1974, not been brought in "to restrain or wholly prohibit this practice"? Because, as with the long-threatened statute on privacy, such a law is so hard to write. Because any such law, like the PCC's own code, would have to contain an ambiguity which makes it unenforceable — a reference to "potential witnesses" in a criminal proceeding. Is every neighbour, bystander and business partner to be gagged?

In fact, the law as it stands needs no changing. It already restrains pre-trial publicity to a degree quite staggering to the

To prevent witnesses from talking for money is censorship

press abroad. The mistake in the West trial was not to enforce it. As others have noted, Scotland has no press code but it does have judges willing to prosecute newspapers for contempt of court.

The outcry about paying West witnesses sounds to me like displaced revulsion: a classic instance of blaming the messenger. In this case, the message was almost too unbearable. I confess



BRENDA MADDOX

to being one of those who looked away and avoided the horrific details. The other night, watching the news, I nearly wore out the mute button on my channel-changer, waiting for the pictures of victims and graves to shift from Gloucester to Bosnia. Torture and murder in a war context are at least understandable.

Where the law should not try to interfere, however, is in what people may say after a verdict has been reached. Even if that means selling their words at their market price. The sums are irrelevant. It is dangerous to legislate how much people may be paid. I happen to think that anybody who had the misfortune of a close encounter with either of the Wests deserves a bob or two — and that goes for their relatives and the jury who had to sit through it.

What about the victims? We should see that they get some of the money. The PCC would do better to ask newspapers to contribute an equal sum to the

families of victims rather than trying to stop people offering what may be the only saleable item in their ruined lives.

Oh, but the witnesses will embroider their testimony to make it more saleable? That's what I mean about paranoia. Of course that danger exists. It is bad, even wicked, but infringing free speech is worse.

Besides, sensationalism does not mean fabrication. Were it not for many greedy blabbers to the press, much unsavoury truth would never get out. Look at the royal rift stories. Derided when they appeared as "title-tattle", invented only to sell books and newspapers, they were all true. Anyway, why should the press not reward a post-trial witness, when it rewards other publicity-seekers, such as Michael Douglas or Demi Moore, with interviews on the eve of a new film?

As we all huddled terrified in our electronic homes, Crime and Punishment and Trial by Jury are the most riveting stories in the world. To try to stop the principals in such traumas from talking for money is censorship. And it won't work.

Speaking of stories on the auction block, I am far more worried by the failure of the Princess of Wales to sell hers than the successful sale by any West witnesses of theirs. Why should the Princess not have wrested maximum profits from the most history-making broadcast since the Abdication speech? She could have demanded to retain copyright as, I believe, the Queen does over the film of her Coronation.

The Princess could have asked that part of the worldwide revenues her performance will earn be given to those charities of which she is so fond. Or she might have requested that the income from overseas sales go to BBC World Television, a commercial enterprise, but to that dependent charity, the BBC World Radio Service.

Yet it seemed the Princess did not retain the copyright in her words nor even negotiate a facility fee for her appearance. But, a BBC spokesman assures me: "Definitely, there was no money at all." Talk about being badly advised.

Alan Mitchell on those simple consumer innovations that can set markets alight

Small ideas, big profits

Here's another one for the records. Since Pizza Hut launched its new Stuffed Crust pizza, its sales have jumped 20 per cent. That's not bad for a product that's been in existence for just ten weeks, in a market that, until now, has been declining.

With figures like that, the Stuffed Crust is barging its way into the pantheon of consumer innovations: those simple little ideas that seem blindingly obvious in retrospect but which set markets alight when they are introduced.

Everybody laughed at the round tea-bag, for example, but it propelled its maker, Tetley, to control more than 70 per cent of the tea-bag market. Müller yoghurt simply separated the fruit from the yoghurt and it leapt from being an unheard-of foreign brand to become Britain's fifteenth biggest. The simple bend in the neck of the "toilet duck" transformed this lavatory cleaner's sales and spawned a flock of imitators.

Innovation experts say the secret of such blockbusters is that they meet a simple functional consumer need while, if possible, also tapping some deep emotional well.

Pizza Hut's secret is straightforward enough. Its marketers noticed that people were leaving crusts on the side of their plate because they were dry and tasteless. Now, by stuffing mozzarella and garlic butter into its crusts, sales are sizzling. In the savagely competitive US, the stuffed crust has made Pizza Hut the market leader.

But other secrets are less easy to pin down. Müller allowed consumers to vary the taste of each mouthful. But it also sold itself as a comforting, well-deserved indulgence. The round tea-bag stems from marketers' recognition that most tea-bags are dropped straight into a mug. But they also realised that roundness makes the process mysteriously more pleasing. Toilet duck's brilliance was to realise that people do not like putting their hands down the lavatory.

"It's no good saying these things are trivial, cosmetic or stupid," says Peter Dart, chairman of the Added Value consultancy. "They are based on real insight." Marketers use a number of techniques to develop new product ideas. One is to jump categories and produce things such as alcoholic lemonades, chocolate bars turned ice-creams, or the widget in



Pizza Hut has seen sales leap by 20 per cent since it introduced the Stuffed Crust ten weeks ago

the can that reproduces the taste and feel of draught beer.

Another is to offer two opposites at the same time. Procter & Gamble made a hit out of Wash & Go, which had shampoo and conditioner in one. Many companies have made a mint out of curbing indulgence with reduced sugar or fat. Just look at some of the names: Too Good To Be True, I Can't Believe It's Not Butter.

Other still sought-after holy grails include hangover-free alcoholic drinks (or low alcohol drinks that taste as good as alcoholic drinks) and transatlantic flights without jetlag, but they require scientific or technological breakthroughs. That's one reason why blockbuster innovations are so rare. Mr Dart comments: "The biggest thing in food is to have all the taste and all the health. But nobody has cracked it yet."

Quite often, however, failure stems from a simple lack of imagination or application. "A lot

of companies are so obsessed with their competitors that everything they do is inescapably tail-chasing," says Chris Wood of the consultants Craton Lodge Knight.

"There's a conflict between the corporate behaviour of having things controlled and having lateral thinking. Frequently, there are blindspots which have become institutionalised," agrees Chris Bruce of the innovation consultancy Greyhound. In yoghurts, for example, "there was a mindset that yoghurt had to be in an upright pot and that people weren't prepared to pay more than a penny extra for creaminess". Müller simply ignored these constraints.

Marketers' search for the double whammy of functional and emotional benefit can lead them in some strange directions. A big hit in Japan is a washing-up liquid to use on fruit. Japanese consumers do not trust what farmers spray on their fruit. And besides, when it has been washed with the new concoction the fruit looks new.

But some attempts fail. Take

instant tea. According to Mr Dart, research indicates that it can taste as good as ordinary brewed tea. But consumers simply refuse to believe it. And they cannot work out how to make it, either.

Meanwhile, the race for the next blockbuster continues. A toothbrush that comes with the toothpaste already inside; a tea that brews without producing scum, no matter what sort of water you use; frozen food packaging that stops things melting on the journey from supermarket to fridge; microwave packaging that tells you when your food is cooked; or a cereal packet that closes properly so that the contents do not go stale. These are all being researched right now.

Hot tip for the future, however, is the dripless tea-bag. It comes with a piece of string all the way round its edge so that when you've finished brewing you can scrunch it up, squeezing all the liquid into the cup and not onto the floor on the way to the bin. How sensible; how satisfying. On innovations like these, progress and fortunes depend.

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Making the right connections

Nigel Hawkes introduces a three-page report on the research centres where scientists and engineers from all disciplines work together: the IRCs

The making of science policy has always been a hit-and-miss affair. Anticipating where the next breakthrough is coming from is an art that does not lend itself to clear rules: instinct is sometimes the best guide.

When the right decisions are made, however, the results can be astonishing. Shortly after the second world war the Cavendish Laboratory at Cambridge began the study of the structure of proteins, using X-ray diffraction. At about the

The point, he says, was not simply to encourage university teams in different disciplines to put in combined applications for grants. "I had been doing research since 1946, all but five years of it in universities," he says. "I knew that teams could be put together, make a persuasive bid for a grant, and then divide up the money and take their share back to their individual departments. After that, maybe they would get together three times a year. That wasn't my concept at all."

The proposal had a mixed reception. The council of the SERC (now the Engineering and Physical Sciences Research Council) was enthusiastic. The individual subject committees were more guarded. They feared that interdisciplinary research centres — IRCs — would take money from their own budgets.

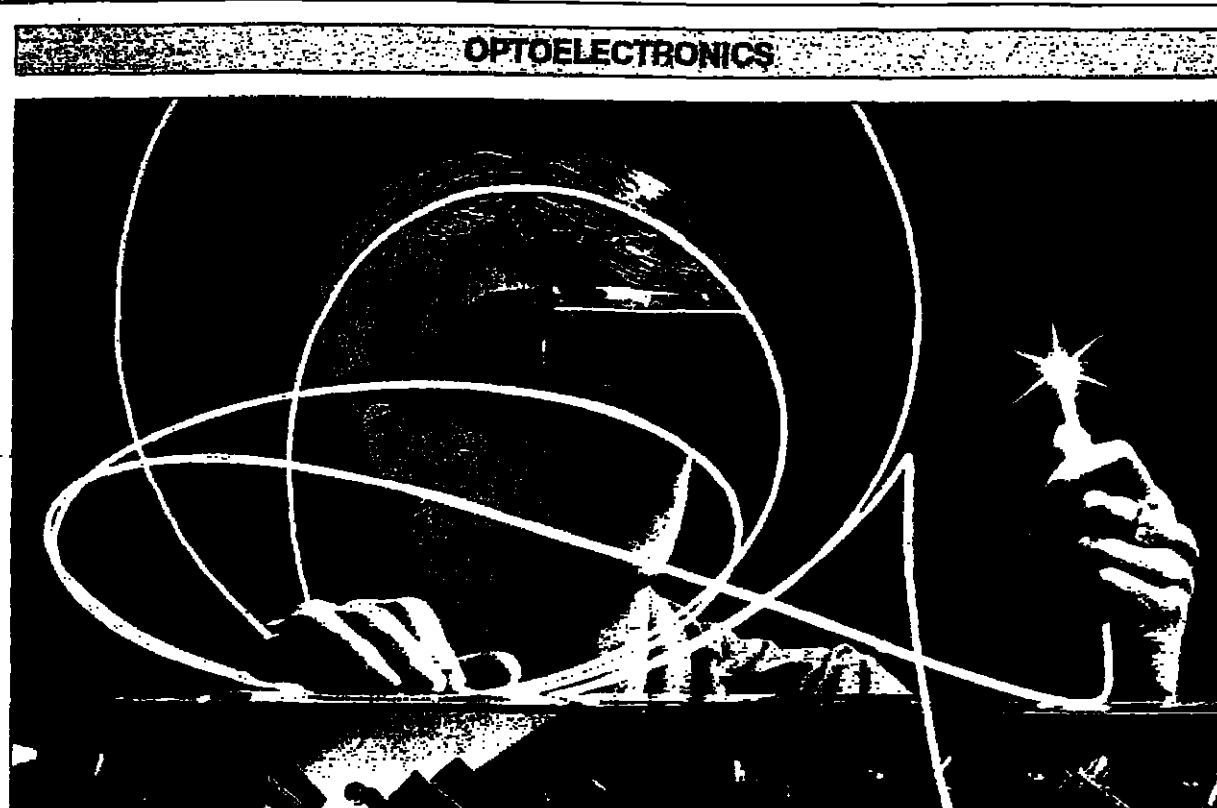
Those anxieties were overcome, largely as a result of Sir William's own enthusiasm for IRCs, and suggestions sought for the areas that might be included. About 200 ideas were whittled down, and now there are eight IRCs supported by the EPSRC.

They cover a wide range of subjects, as today's reports (pages 40 and 41) make clear. Sir William singles out for special praise the Polymer Science and Technology IRC at Bradford, Leeds and Durham, the Optoelectronics Research Centre at Southampton, and the Centre for Process Systems Engineering at University and Imperial Colleges, London.

But since the late 80s, British science policy has undergone one of its regular convulsions, and the goals for the IRCs have been subtly shifted. When they were established, collaboration with industry was not the shibboleth it has since become.

The IRCs were originally funded for a ten-year period, which runs out in 1998. After that, Sir William said, they would have to survive on the merit of their research proposals. If they could continue to win EPSRC money in competition with other applicants, well and good; if not, they would have to close.

In fact, the funding arrangements being discussed for the post-1998 period envisage the EPSRC continuing to provide



Fibre optics to order: tomorrow, it is likely that they will be the basis of computers of amazing speed and power

As fast as the speed of light

BACK in the 1960s, when Professor William Gambling of Southampton University began investigating the peculiar way that light could travel many miles down delicate threads of glass, it was obvious to nobody that this arcane property could have any commercial application.

Even in the 1980s, it was believed that optical fibres would only be used for long, distance trunk communications, because of the technical problems in joining up small lengths of glass fibre without losing most of the signal.

Today, however, anybody watching cable TV is probably seeing a picture sent down an optical fibre at least as far as a box at the end of the street. Tomorrow, it is likely that optics will be the basis of computers of amazing speed and power. Much of the research that has made this technical advance possible has taken place at Southampton, now gathered together as the Optoelectronics Research Centre.

Professor David Payne, the present

director of the ORC, does not subscribe to the view that the aim of an Interdisciplinary Research Centre (IRC) is to get academic research into industrial use. But that is an inevitable result of the way IRCs are constructed, he says.

"The IRC concept is not intended to assist with getting research industrialised, but having a large, well structured and focused organisation tends to produce this," he says. "The traditional single lecturer plus a few students is so lacking in resources that it tends only to do the basic stuff. Optoelectronics at Southampton goes back to the 1960s, and was extremely well known in many ways before the ORC came along. But the ORC provided us with focus and support, and, of course, it is a stamp of prestige for a university group."

As far as Professor Payne is concerned, the main benefit of IRC status is to put his people on a par with renowned institutions in research. "The long term funding allowed us to provide careers for top researchers," he says.

"We have to do this because we are in competition with places like Bell Labs, so you need a professional approach to full time research, which you do not get from lecturing staff. We have many post-doctoral staff for many years, who would normally tend to stay for a year and vanish."

The current uncertainty over the future of the IRCs is already having a noticeable effect on morale, Professor Payne says. "I can see them disappearing if the career structure goes. People are already writing their CVs, and the degree of uncertainty is not doing us any good."

The way forward, he believes, is to formalise the IRC concept, but to make it plain that no individual IRC is sacrosanct. "We must have a rolling set of IRCs, supporting new ones as they emerge," he says. That his own IRC should survive, Professor Payne is in no doubt. Fibre optics is a major and still expanding area, and Southampton has much still to contribute.

Streamlined science

Tony Dawe sees a bright future for state-of-the-art research

The future of interdisciplinary research in Britain will be guaranteed if the chief of the nation's largest research council has his way. Interdisciplinary is a fact of life, as Ian Taylor, Science Minister, puts it.

When the Engineering and Physical Sciences Research Council meets on Friday to begin discussing the role of IRCs after present funding runs out in 1998, Richard Brook, its chief executive, will argue that the concept must be preserved.

"I like the mechanism so much," he says, "that I want to use it for other subjects." That does not necessarily mean he will recommend an expansion of the number of IRCs: it is more likely he will call for a reorganisation of the centres.

"If we decide to address new subjects like sensors, it would hardly be appropriate to go to the polymer scientists at the Bradford, Leeds and Durham centre and ask them to become experts in sensors. We would look instead for the right experts and set up a centre around them."

The polymer scientists themselves need not worry about their future, for like his predecessor, Sir William Mitchell, Professor Brook is full of praise for their work. "If you talk to other people in the same field, they are proud of the work done at the centre and of its achievements. This is not true of all centres because the privileges attached to them can encourage jealousy and criticism among rivals."

He recognises that, in addition to pooling resources and expertise to produce new work, the centres have played an important role in training scientists. "We are getting people with knowledge in subjects which did not exist," he says. "We do not want to train people in yesterday's skills."

The research council pro-

vides £15 million a year for the eight IRCs, a small proportion of the £207.5 million it is allocating in grants this year. The same criteria of training and innovation are important when the council decides where the money should go, but programmes which could give Britain a competitive edge also win favour.

Professor Brook has streamlined the process for dealing with grant applications so that the time between first consideration of a project and providing the funding has been reduced from two years to less than one. After a slow start, the council is now funding 160 new programmes, worth be-



Richard Brook: fast system

tween £25 million and £30 million, every month.

One in three applications for grants for responsive research, driven by scientific curiosity and contacts with industry, is successful, with programmes in physics, chemistry and information technology and computer science the most likely to succeed.

"The one-in-three success rate is higher than in most European countries," Professor Brook says. "We now have a system in place to establish priorities, with advice from scientific experts and from the industrial and business community, and to get funds to the right people within a year."



Sir William: success

same time, physicists at King's College London also turned their attention to proteins.

The subject of both centres was at first called biophysics, and later molecular biology. From it emerged the structure of DNA and of important proteins, which provided one of Britain's principal claims to be a major player in science. From it, too, came the idea that the most productive areas in science lie at the boundaries of disciplines: in this case physics and biology.

Traditional methods of supporting science do not usually favour interdisciplinary research. Sir William Mitchell, chairman of the Science and Engineering Research Council in the 1980s, recalls that when applications for research grants for projects involving both chemistry and physics arrived, they would be sent separately to both the chemistry and physics committees.

"Both committees would score them, and we'd take the average," he says. "The process completely neglected possible cross-fertilisation between the disciplines. My primary intention in launching the interdisciplinary research centres was to recognise that and do something about it."

ICI strongly supports the Interdisciplinary Research Centres sponsored by the EPSRC, particularly those at the universities of Bradford, Leeds and Durham and University & Imperial College, London for the mutual development of science and technology.



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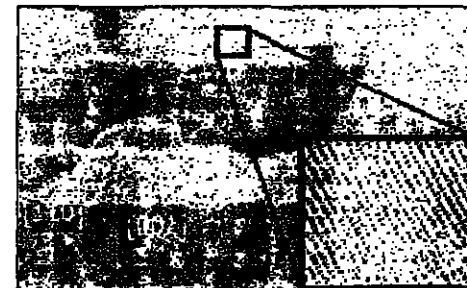
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The University Of Southampton

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The Interdisciplinary Research Centre for Semiconductor Materials Imperial College, London, University of Oxford, University of Sheffield and University College, London

Semiconductors have changed the face of electronics. The IRC for Semiconductor Materials is at the forefront of research in the fastest moving of technologies. We have established a strong international dimension through collaboration and support from the UK, USA and the Far East.



The fabrication of new generations of electronic and optoelectronic devices will depend on the ability to manipulate materials down to a single atomic level. This image shows the surface of gallium arsenide at atomic resolution. A region of total crystal perfection is magnified in the inset.

At the leading edge of research, innovation and learning

THE UNIVERSITY OF LIVERPOOL

The Surface Science IRC, which is operated jointly by the Universities of Liverpool and Manchester, is home to the largest collection of instrumentation for the study of surfaces on a nanoscopic scale, including a two station, dedicated beamline at the Daresbury synchrotron. We are pleased to acknowledge collaborative research with Alcan (UK), Associated Octel, BASF, BNFL, BP, BRMA, British Gas, China Steel Corporation, Courtauld's Coatings, Crossfields, Elkem, Fisons Instruments, GT Innovations, Hiden Analytical, Horsell Graphics, ICI, IBM, Johnson-Matthey, King and Fowler, Nippon Steel, Pilkingtons, Silent Power, Shell, Unilever, Vacuum Science Workshop and many academic institutions world-wide. We would welcome future links with new academic and industrial partners.



Ian Taylor, the Minister of Science, discusses a high performance instrument in the Liverpool IRC in Surface Science with Professor Peter Weightman, Assistant Director.

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POLYMERS

Plastics are back

PLASTICS were neglected by British science until fairly recently, partly because they were seen as cheap and shoddy — not really worthy of proper academic study.

That situation has now changed, and according to Professor Jim Feast, director of the Interdisciplinary Research Centre (IRC) in Polymer Science and Technology, his institution can take some of the credit. "The IRC has raised the profile of polymer science in the UK," he says. "It was in a pretty parlous state; now there are several competing research programmes."

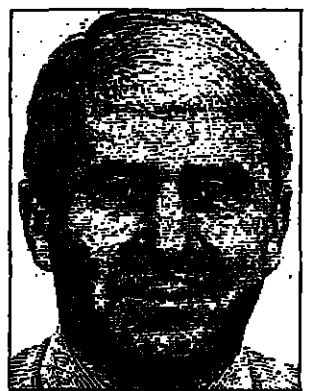
He is biased, of course, but he can point to many solid research achievements to back up his case. Professor Feast says: "Professor Ian Ward, who set up the IRC six years ago and is still very active in it, has done an enormous amount of work in taking polyethylene and processing it to orient the molecules in different ways to make new kinds of fibres and objects. "He invented a process that has been licensed to Mitsubishi for making oriented pipes of great strength. He built the machine, set it up and tested it, and Mitsubishi came along, took it to bits and shipped it to Japan. You can change the levels of ordering at the molecular level to what is required."

Considering that plastics were the hallmark of Japan's onslaught on the consumer markets of the world, selling a better plastics process to them was a major achievement.

It is this sort of success that Professor Feast believes will ensure the survival of IRCs beyond the current funding

negotiations. He says: "The original blueprint was that only the IRCs that were earning enough to cover their costs would survive, but the perception has changed. Maybe the research councils will continue to fund IRCs in the areas where they are doing a decent job and there is demand for what they do."

The days when plastics were used simply as a cheap replacement for a "real" thing



Professor Jim Feast: curious

are over. The IRC in Polymer Science does work in the traditional plastics of course, but is also researching into some truly odd materials that could change our lives. Light-emitting polymers, for example, are being developed in collaboration with a team at the Cavendish Laboratory in Cambridge. These plastics can be printed with additives in patterns which emit light in the primary colours, potentially forming a television screen in sheet form that can be hung on the wall like a picture.

"We have developed good ionic conductors which act as

gel electrolytes for solid state batteries," Professor Feast says. "We have also developed piezoelectric and pyroelectric polymers, substances that are mostly ceramics at present." Plastic cigarette lighters and toasters? Possibly.

Research is also going on into what happens when you put oil on water. "We are studying how thin films of polymers just one molecule thick at the air-water interface behave at the molecular level," he says. "This work neatly illustrates how the IRC is concentrating on work that is academically interesting and has commercial potential. Thin films on water are of great interest to the paint and adhesives industry."

Researchers at the IRC are looking at radically different structures of polymers as well. Most attention has historically been paid to polymers of simple linear shape, like long strings of atoms, partly because they are easier to visualise and to make. "We are interested in novel topologies, different shapes of molecules," Professor Feast adds. "Most polymers are long, thin molecules which are oriented or bundled to get the properties you want. We are looking at branched molecules, some almost nothing but branches."

The result will be polymers with very strange molecules, some looking like the fronds of extinct plants, some like snowflakes, some even circular. Interesting properties are predicted, Professor Feast says.

But, at bottom, academic curiosity is still the driving force. "We are," says Professor Feast, "much more interested in the question: Why?"

Cool reaction to future

OF ALL the Interdisciplinary Research Centres, the IRC in Superconductivity seems the furthest away from producing discoveries that will change the way we live, but it also has the most obvious potential for doing just that.

Superconductors pass electric current with no resistance at all. This property was predicted to occur close to the lowest theoretical temperature possible, absolute zero, but the discovery nine years ago of superconductors that operate at the temperature of liquid nitrogen galvanised the scientific and engineering worlds. Here at last, it was thought, was a superconductor that operated in a coolant readily available in industrial quantities, that could be made into power lines with no losses; into magnets that could hurl levitating trains to their destinations at immense speeds; form the basis of computers of incredible speed; and a hundred and one other applications.

Despite the high initial hopes and very large sums of money spent, especially in Japan and America, in the nine years since the discovery, progress has so far been slow and very few industrial uses of superconductors have been found. Professor Yao Liang, director of the IRC in Superconductivity, based in Cambridge, said patience is necessary but superconductors will soon work.

"There were high expectations and the materials were typed up at the beginning but this sort of thing cannot happen instantly in reality — the worldwide investment is too great," he said. "We still need 10 to 15 years before



Franz Baudenbacher of Cambridge University with a chamber for superconducting thin films by laser ablation

there are substantial inroads in the market.

"The discovery of high temperature superconductors in 1986 was the most exciting this century, comparable with semiconductors. It defied all the wisdom of the time, and is a puzzle to the chemist and physicist."

The most spectacular prac-

tical application so far is the new European particle accelerator at CERN in Switzerland, which brings particles to nearly the speed of light. The particles are driven round a huge ring by 4,000 magnets. Oxford Instruments, one of the IRC's industrial partners, is supplying leads made of high tempera-

ture superconductors to take the current from room temperature at one end to the old-fashioned superconductors at the other. This saves millions of pounds.

A ring of superconducting cable can store huge amounts of electricity simply by letting it run round and round, with no losses, until you switch it back into the outside grid again. Electricity substations could be fitted with superconductor "reservoirs" that would store surplus current until needed. This would cope with events such as the massive surge in consumption when millions in Britain put the kettle on simultaneously two weeks ago at the end of the Princess of Wales's interview last week.

The lack of electrical resistance in superconductors means that they have no electrical noise, so they can be used as noise-free amplifiers. Professor Liang explained that this could lead to instruments so sensitive to electrical currents that they could be used in brain scanners which could pinpoint individual synapses in the living brain.

The dream is of a superconductor that will operate at room temperature. Professor Liang says: "Before 1986 anyone who said superconductivity would be possible at 77K (about 70C below zero) was within reach. To get any higher, we are almost certainly going to have to look at a different family of elements, but there are plenty to choose from in the periodic table."

Cuts that boosted research

THE NEED for Interdisciplinary Research Centres arose partly because industry has been forced to cut back on its own basic research through the recessions of the early 1980s and 1990s, according to Professor Bruce Joyce, director of the IRC for Semiconductor Materials based at Imperial College, London.

Professor Joyce spent a good deal of his career researching in commercial establishments, at Plessey and Philips. It was because of the decline in commercial research that he moved back to the university to establish the IRC in 1989.

"Research at this basic level is now done in the universities rather than places like IBM, Bell Labs and Philips," he says. In Professor Joyce's area the semiconductor world has changed the world so radically in the last 30 years — many of the fundamental discoveries were made in these three world-famous industrial laboratories.

"It is different today, after the early 1980s recession, when companies pulled back from research," he says. "But progress does not suddenly stop because companies are running out of money."

Someone has to lay down the theoretical foundations for the next generation of semiconductor chips, and industry is willing to contribute substantial funds to this research as long as government puts in its bit.

The next layer of theory that is needed is how semiconductors are going to move from bulk material to the atomic level. At present, even though a computer chip only half an inch square can contain millions of transistors, each still relies on the passage of hundreds of electrons to work. Future generations of chips could use just one electron to store a bit of information.

"What we are concerned about is the manipulation of semiconductor materials at the atomic level for the next generation of computers," Professor Joyce says.

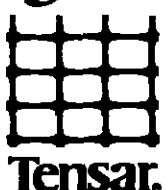
The behaviour of semiconductor materials on this tiny scale is still not clearly understood. "We are doing it not just for the sake of it but because the properties change as you get nearer the sub-atomic level."

The main weapon in the campaign to go subatomic is a scanning tunnelling microscope, a device which passes a tiny, electrically excited probe across the surface of the chip. Analysing the electronic output of the probe allows researchers to develop a picture of the material, showing the individual atoms.

Applying polymer science to geotechnical engineering

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The huge factories that don't really exist

RESEARCHERS at the IRC for process systems engineering operate some of the world's biggest chemical plants. In theory, that is, because these plants are virtual factories, existing only as computer programs.

The development of virtual process plants has been vital for improving chemical and food processing plants because only computers can handle the huge number of variables in even quite simple chemical processes. Virtual plants also allow engineers to

experiment and test the equipment in ways that are completely realistic except for the risks of disaster that playing with real plant entails.

Professor John Perkins, director of the IRC, which is based at Imperial College and London University, both in London, says: "Physical plant is still necessary. He says: "We are very interested in new ways of operating

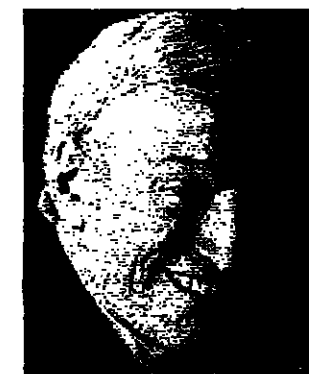
existing factories and new concepts in manufacturing. The way we do this is by modelling the processes in computers, building virtual process plants. Then the results are verified in a pilot plant we have."

Researchers at the IRC used computers to upset received wisdom handed down over the years in a piece of work for BP. They simulated a vacuum distillation chamber, commonly

used in the industry to extract substances such as vitamin A from fish oil. It was widely accepted that the best pressure at which to operate the chamber is the lowest achievable, which seems self-evident.

Playing with the variables on the virtual chamber showed the assumption was wrong. Leaving some pressure in the chamber and altering some of the other parameters would improve performance, which proved to be the case in tests on the real thing.

The IRC is also tackling the problems inherent in the introduction of the latest technology. Supermarkets now routinely capture the details of every purchase at the check-outs, which generates huge volumes of data. The problem is, he says, that "there is an enormous amount of data in



John Perkins: new concepts

the systems, and we want to extract from the data information to control production. We use sophisticated statistical methods to try to eliminate the effect whereby a smooth pattern of demand in the shops is converted to violent swings at the manufacturing end, because the supply chain is too rigidly controlled."

Interdisciplinary Research Centres — where ideas become reality.

The cutting edge of science lies in the fertile ground between disciplines. Here ideas can blossom, but we need to turn these ideas into reality.

The first Interdisciplinary Research Centre was founded in 1987 to bring together scientists and engineers from many different backgrounds to create a world-leading research centre in superconductivity. The Engineering and Physical Sciences Research Council is now funding eight IRCs in crucial areas of science and engineering, based at universities, to provide industry with access to the brightest and best ideas in British science.

Queen Mary and Westfield College, London
Specialising in *Biomedical Materials*, this IRC has helped revolutionise bone replacement materials, cardiovascular devices and orthopaedic systems.

Birmingham and Swansea Universities
Research at the Birmingham and Swansea Centre into the microscopic structure and processing of materials for high-performance applications has proved invaluable to many British companies including the aerospace industry.

Southampton University and University College, London
The *Optoelectronics Research Centre* at Southampton has developed fibre amplifiers for submarine communication systems. They are currently working on diode lasers and "optical chips".

Bradford, Leeds and Durham

Here, scientists and engineers from three Universities join forces to tackle research challenges in *Polymer Science and Technology*. They work with companies like BP and Courtauld on the design, synthesis and processing of new polymer materials.

Imperial College and University College, London

The *Process Systems Engineering* centre does pioneering work with many industrial groups, such as IBM and Unilever.

Imperial College, London

Semiconductor Materials are the speciality of this IRC. Recent ventures have included research into Gallium Arsenide, to replace silicon in computer chips.

Cambridge University

The knowledge gained here in *Superconductivity* is already helping, amongst others, Oxford Instruments, Rolls Royce and Lenton Thermal Designs.

Liverpool University

Using one of the most powerful microscopes in the world, the *Surface Science* IRC is working with BNFL to investigate the properties of oxides. Another project on corrosion inhibitors involved ICI.

For more information on the Engineering and Physical Sciences Research Council, call 01793 444100.

EPSRC

Engineering and Physical Sciences Research Council

Universities of Birmingham and Swansea.

IRC in Materials for High Performance Applications

The IRC programme is focused on manufacturing industry. It carries out experimental and modelling work in the important industrial areas of melting and casting, processing, property assessment and life prediction. Over six years the £11m income from industry has been used to solve a range of problems in all of the above areas and has resulted in the transfer of state-of-the-art technology. The IRC has trained over 50 PhD students most of whom now work in UK industry, and has held over 20 workshops for industry. Work is carried out on metallic and

ceramic materials, composites, on conventional materials and on materials for the future. Both short and long term research contracts can be negotiated with industrial partners. Confidentially, IPR and patent protection are negotiated individually with companies.

For further details contact Professor M H Loretto, IRC in Materials for High Performance Applications, The University of Birmingham, Edgbaston B15 2TT or Professor R W Evans at the IRC in the University of Swansea.

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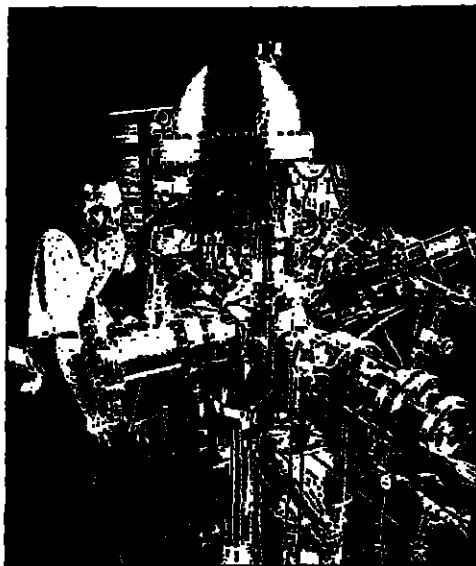
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SURFACE SCIENCE

Taking things at face value



Electron and X-ray probe at Liverpool

SURFACES get a bad press generally. Beauty has to be more than skin deep, they say. And if you want to be really rude to scientists, call them superficial.

But it is at the surfaces of materials that chemical reactions occur and physical interactions take place. Surfaces are also where industry has most of its problems, needing expensive corrosion inhibitors, lubricants, adhesives and a thousand other things to make the material behave.

It is hardly surprising, therefore, that there is an Interdisciplinary Research Centre based in Liverpool University to look into surface sciences.

To improve the understanding of surface processes, Professor Stephen Holloway of the IRC makes movies of the way atoms of gas approach atoms of a solid. "A gas diatom, for example, can move in all sorts of ways — spinning, rotating — towards the surface," he says. These are not just pretty pictures, of course, but objects following mathematically defined laws derived from experimental work.

That work is changing to bring it closer to the real world, according to Professor Neville Richardson, director of the IRC. "Academic surface science has been obsessed with making sure that researchers worked with clean and highly idealised surfaces. This involved carefully preparing surfaces and working under ultra-high vacuum to keep out impurities." Of course, real surfaces are rarely under vacuum and almost never very clean.

One of the centre's main experimental instruments is a scanning tunneling

microscope (STM), which scans surfaces with a very fine probe that senses the location of every atom as it passes. "It has changed our view completely," Professor Richardson says. He is particularly proud of the record of the centre, claiming that the STM unit has published as many scientific papers as the rest of the UK's STM units put together. "We regard our STM as the most productive in the world."

Among the STM unit's work is a study of surfaces covered with iron oxide — rust. The unit has discovered a new mechanism of rust formation. Professor Holloway describes it: "Molecules of O₂ come down on the surface of the iron, where they split up into individual oxygen ions, which can go below the top layer, to create a crumbly layer on top."

This insight is important from two angles. One is the development of better corrosion inhibitors, and the other is the development of thinner and more effective oxide films for recording tapes, something else that IRC researchers have been investigating.

This brings the work closer to industrial application. One area that Professor Richardson is personally interested in is a particularly dirty surface — the bottoms of boats. He is researching mechanisms for preventing fouling, particularly by barnacles. This is an acutely urgent question, as environmentalists are worried about the chemicals often released into rivers and the sea by the sort of anti-fouling paints in common use.

Another pressing, environmentally sensitive problem is the car exhaust catalyst. At present, these are very expensive despite having active surfaces only atoms thick, because the catalyst is platinum. Work is now going on to try to find cheaper alternatives and mechanisms for preventing the catalyst becoming clogged and exhausted.

"We have changed our focus by talking to industry, finding out which specific materials and surface processes are important in industry," Professor Richardson says. "We find their interests are close to what we are doing."

A bell too perfect to ring the changes

HIGH-PERFORMANCE MATERIALS



Loretto: Can it be done?

WHEN a church in need of a new bell asked researchers at Birmingham's Interdisciplinary Research Council (IRC) on Materials for High Performance Applications to devise a material that would remove the imperfections inevitable in traditional casting techniques, the IRC designed the perfect metal for a structure that would indeed be "sound as a bell".

Unfortunately, according to Professor Mike Loretto, the director, the material was too perfect. "Bells rely on imperfections for their individual resonances," he says. "The bell had to be tuned mechanically to put some back in."

The story illustrates the unpredictability of materials science, even in areas as ancient as bell-casting. It also shows the potential of a scientific approach to produce castings and forgings so predictable in properties they can be used in machinery without further machining, potentially slashing costs. When the similar techniques are applied to casting turbine blades in exotic alloys, perfect blades can be produced first time.

"The aim is to go to final-shape forging and casting," Professor Loretto explains, "so that very high strength parts can be made in one step with

no further machining, which is costly and can introduce weaknesses."

The IRC has a forge — light years away from the noise and dirt associated with the heavy metal industry with which Birmingham is traditionally associated — that it uses to forge materials to the exact final shape. This isostatic forge not only operates at very high temperatures for shaping ultra-resistant metals such as titanium, but it works in a clean environment of pure argon gas, to prevent corrosion forming during the shaping process.

It is also different from traditional drop hammers and similar shaping machines, relying on brute force by its precision operation, pressing the metal in a slow, controlled way so the strains in the atomic structure of the part are predictable.

The process is not simply for research, however. The research, says Professor Loretto, is angled to the needs of industry. "We go to manufacturers and say: 'What are your problems?' They might reply: 'It is a pity we can't have a turbine blade that operates at twice the temperature and is

half the weight', and we see whether it can be done."

The Materials IRC is now using the forge to make a revolutionary part for the aerospace industry. The item has two materials bonded together, each material doing a different job but bonded so firmly they act effectively for one structure.

Professor Loretto says: "We supplied an aircraft actuator that is part of the thrust reversers in a jet engine, in collaboration with industrial partners, which is being flight-tested for the next generation of airliners. To get fatigue and

corrosion resistance, combined with wear resistance, we joined two metals in a hot isostatic pressing so they were perfectly bonded."

The new process gives the part a much longer expected life even in the very aggressive environment in which it is located. He says: "It is common to electroplate but this leads to rapid corrosion or fatigue failure, so the part must be regularly replaced."

A particularly exciting area is the new study of intermetallics, which are not alloys but simple ratio mixtures of metals something like compounds, such as titanium and aluminium. These materials have enormous advantages in weight, strength and corrosion resistance. The IRC is also involved in researching the mechanisms that provide the great strength of metal matrix composites, metals such as titanium reinforced by fibres such as silicon carbide.

Gaining an understanding of the theory that governs these processes is only now becoming possible. Metalworkers have traditionally worked by arcane rules derived from experiment and experience — it is not surprising that outsiders used to say they were in league with the devil.

New bones for old

BIOMEDICAL MATERIALS



Bonfield: clinical feedback

MEDICINE is one of those areas where a commercial application for scientific research is usually fairly obvious. If it helps to understand disease or injury, it must be of value.

But when the interdisciplinary Research Centre in Biomedical Materials started operations four years ago, its founder had already done the basic science on its core material — an artificial bone that could make hip and other bone replacements much more permanent by mimicking the structure of natural bone. This was of huge potential benefit, but it was still locked in the laboratory of Professor Bill Bonfield at Queen Mary and Westfield College in East London.

The artificial bone, called Hapex, can be used to replace worn-out or damaged bones almost anywhere in the human skeleton, without the risk of growing away from the living tissue that is an almost inevitable result of using metals. The bonus is that future Barry Sheen's will be able to pass through security at airports without the pins holding

every joint in their body setting off all the alarms.

The problem was not the theory or the material itself, but simply making it. Expertise in manufacturing was needed to develop the process. Professor Bonfield says: "All we had was laboratory material — the IRC enabled us to upgrade the process."

The IRC brings together several medical schools: the London Hospital Medical

College, the Royal Free Hospital School of Medicine and the Institute of Orthopaedics. One of the most important elements was the Industrial Affiliates Club, a grouping of 11 interested companies. One of these, a subsidiary of Smith and Nephew, has placed a large order for Hapex which is to be made into tiny artificial bones for the inner ear, for use in a major clinical programme in the US.

This has two major advantages, Professor Bonfield points out: the order brings in much needed income, and the trial will bring in clinical data on the performance and wearing properties of the material.

"Our relationship with Smith and Nephew developed out of the IRC and has enabled us to get clinical feedback in large numbers in a way that would not have been possible without it," he says.

Hapex is a complex substance, half plastic, half synthetic bone material. Professor Bonfield explains: "Hapex is a composite — nature always

designs in composite materials. Half of a bone by weight consists of hydroxyapatite, which can be reproduced. We took this and mixed it with polyethylene as a substitute for the collagen that binds bone, ending up with a distribution of small bioceramic particles in the resin."

Though the material is very high-tech, it is close enough to natural bone to fool the body. "The material reproduces the function of the bone, so at the interface with living bone it is stable," Professor Bonfield says. "There is a mismatch at the junction of bone with engineering materials such as titanium, which causes the bone to grow around it. Eventually all the regrowth causes the implant to come loose inside the patient. We used the reverse process, fooling the bone into thinking the implant is the real thing."

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For details, contact Professor William Bonfield, IRC in Biomedical Materials, Queen Mary and Westfield College, London E1 4NS. Fax No: 0181 983 1799

The Interdisciplinary Research Centre in
Polymer Science and Technology
in the
Universities of Leeds, Bradford and Durham

A Centre for Quality and Excellence

For further information contact

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E-mail w.j.feast@durham.ac.uk

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in strategic research areas, such as biomedical materials, optoelectronics, and superconductors.

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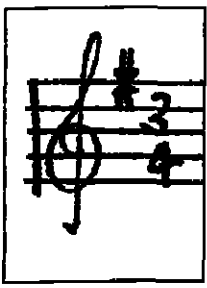
EPSRC

Engineering and Physical Sciences Research Council



MUSIC 1

As a matter of fact (500 million of them) pop music has joined the CD-Rom era



MUSIC 2

... but Times readers prove quite capable of solving our St Cecilia puzzle without computers

THE TIMES ARTS



MUSIC 3

Anthony Rolfe Johnson puts the poetry into the LPO's performance of the *War Requiem*



TOMORROW

Will Kenneth Branagh's *In the Bleak Midwinter* get a frosty reception? Read Geoff Brown

FUTURE VISIONS: The music industry joins the superhighway; and (below) museums sign up for the 21st century

Rock makes its bid for a slice of the Rom...

According to Michael Wadleigh, "the No 1 art form of our entire species in terms of popularity, pervasiveness and profitability is English-language popular music." And Wadleigh, who is best known in the music business for having directed the *Woodstock* movie, should know. Over the last two years he has been marshalling the vast amount of factual detail that this "No 1 art form" has generated in the 40 years since it got under way in earnest.

The result is ROCKnROM, a CD-Rom database of mind-boggling scope, which becomes available this week (a Mac version is in the pipeline). And according to Wadleigh it could revolutionise our understanding of popular music.

The gathering of statistical and biographical data about popular music has been gaining pace since the 1970s. That was when the first chart books were published by Guinness in this country and by *Billboard* in America. Since then, there have been encyclopaedias and histories of rock too numerous to mention, culminating in the six-volume *Guinness Encyclopedia of Popular Music* edited by Colin Larkin and published earlier this year.

But by harnessing the vast information-storing and instant cross-referencing potential of computer technology, ROCKnROM offers a facility for researching and analysing popular music, in all its myriad variations, that is a quantum leap beyond anything that has gone before. It will appeal, its creator believes, not only to the data-crazy anoraks among us, but also to serious students of the way in which popular music evolved in its short but action-packed history.

Incorporating all the British (CIN) and American (*Billboard*) chart data going back to 1955, all the publishing and copyright information held by the

Mechanical Copyright Protection Society, and more than 7,000 reviews and biographies taken from the *Penguin Encyclopedia of Popular Music* and many other impeccable sources, ROCKnROM gathers together on one silver disc enough hard facts (500 million, apparently) to make a whole library of bookshelves groan.

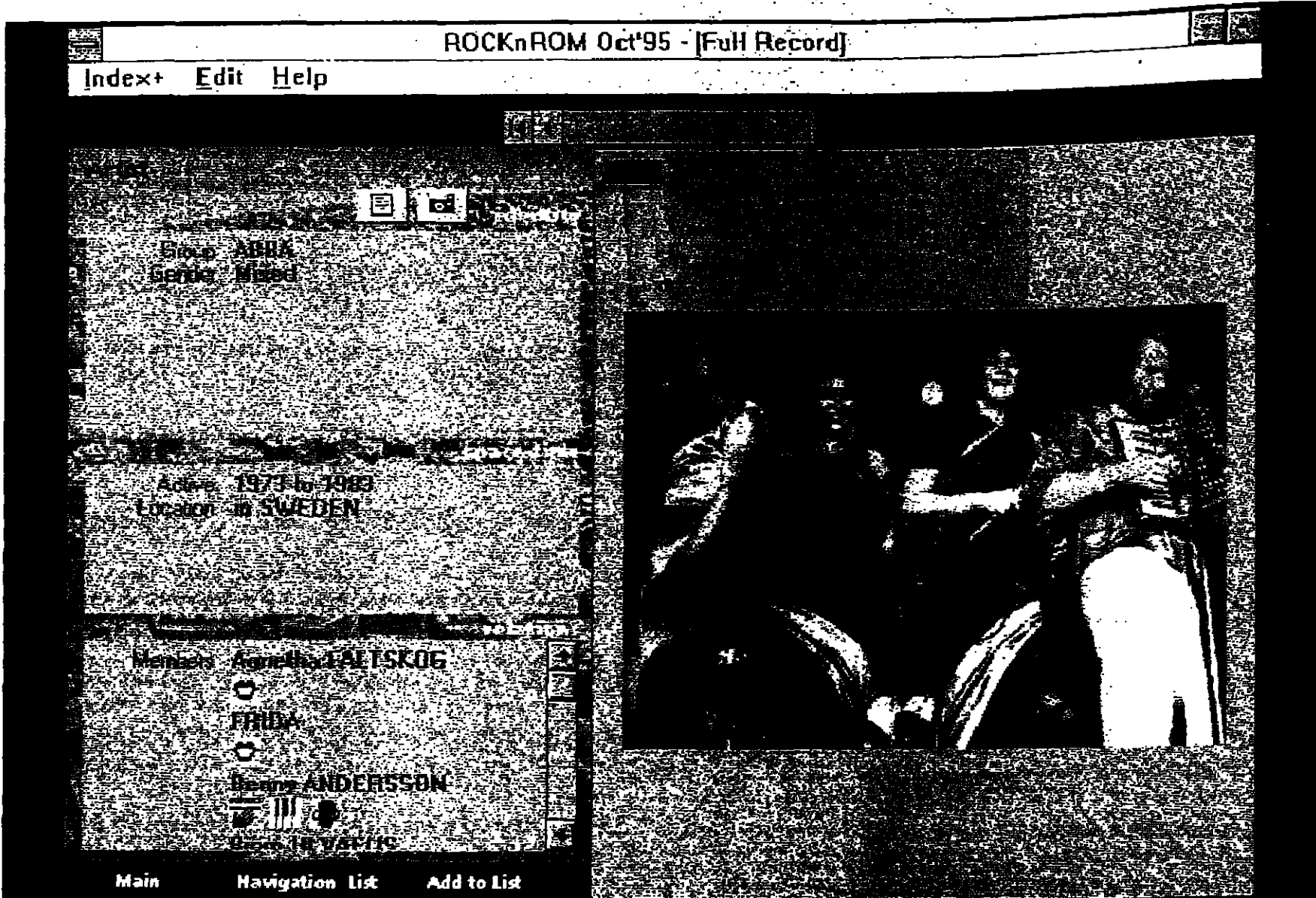
However, it doesn't end there. All this data is both interlinked and immediately accessible. Want to know who wrote a song (any song)? Type in the title, up comes the writer's name. Want to know what else that person wrote? Want to check which artists recorded any other of that writer's songs? Want to find out when one of those artists recorded his most successful hit? Who played on it? What chart position it reached? What else was

in the chart that week? And so on, ad infinitum. Each jump requires just a click or two of the mouse. It can sift through reams of information in an instant. Ask it to locate all songs with the word Chevrolet or snow (or Chevrolet and snow) in the title; up comes the list in seconds.

Within a few years, information about all forms of creativity will probably be "Rommed" in this way. Pop music is simply the first in line. And the practical applications of the package to industry professionals are obvious. But Wadleigh is particularly fascinated by the way in which the package makes it possible to free-associate, marrying facts and concepts in a way that would hitherto have been too laborious to contemplate.

"I'm interested in taking all this information and making it logically relational," he says. "A linguistic analogy would be to compare it to a thesaurus, where you think not of individual words as such, but in terms of antonyms and synonyms and in groups of related words."

A linguistic analogy would be with a thesaurus



From Abba to Zappa, ROCKnROM allows immediate cross-reference to 500 million facts about pop music. But at £999 (before VAT) it does not come cheap

Wadleigh, who has degrees in English, physics and drama, has earned millions as a screenwriter, and is currently working on a screenplay for a movie called *Maine* which will star Clint Eastwood. Now 52, he counts many top musicians among his friends, and claims that ROCKnROM could become an invaluable source of creative inspiration to them.

"Writing music is a far more imitative process than you would ever imagine. Bob Dylan, whom I know well, has the biggest thesaurus you've seen in your life, and the biggest rhyming dictionary. A lot of what he does is highly calculated. Like many other writers he starts with other people's ideas and then finds ways of making them his own."

One of ROCKnROM's more off-the-wall facilities is its conceptual analyses of the lyrics used in the repertoire of every artist listed. Wadleigh hopes to expand these in future updates, eventually producing a kind of musical and

lyrical "bar-code" that would identify the key components of every act's music. It is hard to visualise exactly what use this would be, but Wadleigh doesn't intend to stop there, and he already has similar projects lined up for the worlds of books and movies.

"It's become a mission. I'm obsessed with getting all of popular culture into this form," he says. Presumably, Dylan will be an early subscriber to ROCKnROM, though at a price of £999 plus VAT (for which you get the initial disc followed by three quarterly updates) the package doesn't come cheap. Mind you, if it were to kickstart Dylan's songwriting muse back into life it would be money well spent.

DAVID SINCLAIR

ROCKnROM - The Ultimate Database of Popular Music is published by Penguin Electronic and System Simulation. Further information: 0164 481892. Web site: <http://www.rocknrom.com>. E-mail: rocknrom@rocknrom.com.

... and the microchip comes to Roman Bath

Anyone who has suffered the manifold inconveniences of the average gallery audio-guide will probably have emerged enlightened but bruised by the experience. Not only is there the tiresome matter of having to wear the headset and carry the tape around, but also the problem of synchronising your progress with the tape, the question of what to do if you want to double back and look at something again, the tendency to hear someone else's tape playing too loud for comfort, and the feeling of being isolated from your companions.

But even in museums — sometimes, it seems, especially in museums — technology marches on. Three Bath museums — the Roman Baths Museum, the Assembly

Rooms and the Museum of Costume — have just launched what is claimed to be the world's biggest, as well as most advanced, personal audio-guide system. All that visitors have to carry round with them is a thing resembling a mobile phone or television remote control. The cost of this is absorbed in the admission charges, so that those who might hesitate feel that they should give it a whirl since it comes with the package anyway, while aficionados of the audio-guide are simply amazed that this time it comes "free".

The way it works is cunningly simple. Each display or section of the building has its own assigned number, arbitrarily distributed so that there is no sense of needing to look at things in a particular order.

or worry that something has been missed if every number in a sequence has not been located. All that is necessary to find the relevant commentary is to tap in the relevant number on the machine's keyboard, then press the start button. If the commentary is going on too long for the visitor's own needs it can be cleared at any time. If a repeat is required, a replay button secures it immediately. Curiously, in tests people found it disturbing that there was no rewind sound, so a "rewinding" hiss has actually been dubbed on.

The secret of all this magic is of course a microchip. Obviating the need for tapes and a pre-ordained fixed sequence, these INFORM guides give unparalleled flexibility. Acoustiguide, the company that makes them, has already installed similar but less extensive systems in the Louvre, the National Gallery in Washington and the Tate. Each version has developed and learnt from the mistakes of what went before.

The only possible problem lies in the choice of readers for the commentary. It is evidently desirable that the delivery



Bath is using what is claimed to be the "world's biggest, most advanced personal audio-guide system"

sound neither toffee-nosed nor patronising. Susan Jameson at the Roman Baths occasionally sounds a little as though she is urging disgruntled BT subscribers to replace the handset and try again, but Michael Jayston manages admirably to sound informed and human, and you would

swear that Eleanor Bron and Tim Pigott-Smith at the Costumes Museum not only know but care about what they are explaining. Perhaps they do. But then, they are actors, aren't they?

JOHN RUSSELL TAYLOR

The pity of war

CONCERT

LPO/Welser-Möst
Festival Hall

the voice of David Wilson-Johnson, the baritone solo which curses the weapon and "that arrogance which needs thy harm," rang out with a sense of newly concentrated and transfixed horror. It was in solo moments such

as this that the performance made its mark. Neither Franz Welser-Möst's overall pacing, nor young Andrea Quim's frenzied conducting of the chamber ensemble, struck terror into the heart. Nor did the white light of the soprano in the *Liber scriptus* and the *Sancus* blind as it can. Vivian Tierney was placed self-effacingly among the sopranos of the London Philharmonic Choir (the Tiffin Boys' Choir was totally, and more effectively, invisible). This might

have worked with a more powerfully dramatic soprano, but here it blunted the emotional edge.

Anthony Rolfe Johnson, though, made sure the knife was whetted — and not only for the Abraham and Isaac episode. His *Move him into the sun* was the finest I have heard him sing this poem yet. The eloquence of Owen's words lunged fearlessly on a vocal line of half-voice as fragile as the sunbeam, before rising to the rage of those final monosyllables: "Was it for this the clay grew tall?"

HILARY FINCH

A notable response

They said our St Cecilia's Day puzzle couldn't be done — but you did it. Here is the correct solution

More than a hundred intensely musical readers pondered, researched and hummed their way towards a correct solution for our St Cecilia's Day puzzle. Congratulations to them, and especially to those who sent in fully-harmonised answers! The first three correct entries drawn from the arts editor's trombone case yesterday came from Mrs Margaret Crowe of Gillingham, Dorset; Lorraine Ely of Braintree, Essex; and Nicholas Stuart of Bath, Avon. A £50 record token is on its way to each of them.

For those still toiling over the meaning of our 16 questions, here are the solutions that led to the "hidden melody":

1) Relative minors who became major on Tin Pan Alley. Who could ask for anything more? Gershwin, brothers George and Ira, were the "relative minors" who wrote *I got rhythm*... who could ask for anything more.

2) There was some pandemonium on the letters page when he panicked on live TV. *Birtwistle*, whose *Panic* televised at the Last Night of the Proms, became the centre of controversy.

3) Just for variation, he once twiddled his way towards a piano concerto. *Dohnányi*, the Hungarian composer whose *Variations on a Nursery Theme* for piano and orchestra was based on *Twinkle, twinkle little star*.

4) He went on the record with a little help from Mary. Amazing, a first! Edison, who read out *Mary had a little lamb* on his historic first recording.

5) For a moving experience,



ny a cinematic death scene, while the boy played on. *Adagio*, the movement from Mahler's Fifth Symphony memorably used in Visconti's film *Death in Venice*.

9) Sounds as if he was a miserable old Italian. But young Mozart was quick to get his number. *Allegri*, whose *Miserere* (according to legend) was memorised by Mozart after one hearing.

10) Strictly speaking, his title don't mean a thing. But remind me, what was it? *Duke*, as in *Ellington*, who reminded us that *It don't mean a thing if it ain't got that swing*.

11) With a small change, this

playwright turned something gay into a vile piece of work. *Brecht*, who transformed Gay's *Beggar's Opera* into the libretto for Weill's *Threepenny Opera*.

12) While discovering a whole new world, our animated lad introduced Oscar to Tim. *Aladdin*, the film for which Tim Rice wrote his Oscar-winning song *Whole New World*.

13) Their military seasoning was undoubtedly the flavour of '67. *Beatles*, who brought out *Sgt Pepper* in 1967.

14) Though cut off in his prime, the poor fellow managed to hit the high notes again this year. *Farinelli*, the 18th-century castrato singer who became the improbable subject of a recent film.

15) Friends, it's a picturesque melody (but tricky to work out — Ed). *Enigma Variations*, dedicated "to my friends pictured within" by "Ed" Elgar.

16) This queen's dying words seem to have come true — at least for the composer in his big year. *Dido*, given the line "Remember me" in the final lament of *Dido and Aeneas* by Henry Purcell — who has certainly been remembered in his tercentenary year.

Applying the first letter of each answer to the rhythms and accidentals in the illustration (beginning with the three quavers), should have given you the final two lines of Sir Hubert Parry's *Jerusalem*. We asked for the exact words associated with those notes. So the solution is: *Till we have built Jerusalem in England's green and pleasant land*.

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IN A South Bank Centre already oppressed with visual documentation of so-called degenerate art, truly degenerate art, and photos of Germany in the 1930s, there is one particularly striking image: the "long black arm" of a huge canon, jauntily decorated as part of a grotesque carnival float in the Munich of 1935.

Let this septa embodiment of Wilfred Owen's "great gun towering towards Heaven" should ever be viewed as a vignette frozen in history, the London Philharmonic's performance of Britten's *War Requiem* was dedicated to the memory of Yitzhak Rabin. In

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THEATRE 1

In its 25th year, can the Young Vic regain its reputation for high-quality adventure?



THEATRE 2

The sex comedy lingers on in Iain Heggie's *An Experienced Woman* Gives Advice

THE TIMES ARTS



YOUNG ARTS

With help from the Tate, London schoolchildren explore modern operatic parallels to Ben Jonson



ABROAD

... while in Budapest the spirit of Swift lives again at the unique Lilliput Theatre

Will Vic grow up to be youthful?

Benedict Nightingale finds out where Tim Supple, director of the Young Vic, is intending to take his theatre on its 25th birthday

There is something contradictory about its very name. "Young" suggests energy and zest, students arguing over coffee and teenagers in the foyer. "Vic" is a shortening of Queen Victoria which, although cheeky, proclaims tradition and seriousness. So it is not altogether odd that the Young Vic has been celebrating its silver jubilee by coping with its own identity crisis.

What sort of theatre should it be? That was the poser facing Tim Supple and Julia Bardsley when they became its directors in 1993. Should they perpetuate the tilt towards Vic they had inherited from their predecessor, David Thacker, or restore the emphasis on Young that its founder, Frank Dunlop, had originally given the theatre, or inject their own avant-garde tastes into the repertoire, or what?

The question proved a painful one. Bardsley left, nursing wounds inflicted by hostile critics and a puzzled public, and Supple has been in sole artistic charge ever since. Too much should not be read into the fact that his next production, opening on Tuesday, is an un-Disneylike retelling of Kipling's *Jungle Book*. Yuletide commonly brings children's classics from page to stage. But it indicates the way Supple, in my view rightly, plans to go. He hopes to put the Young back into Vic in as imaginatively adventurous a style as he can.

The success of this endeavour matters a lot, for there have been two periods during which the Young Vic was one of London's most exciting theatres. The first started 25 years ago, after Dunlop became the National's administrative director on condition that he could create an offshoot down

the road from the Old Vic, where Laurence Olivier's company was ensconced. Before long, a humble concrete edifice was up and buzzing with life. It cost all of £40,000, was meant to last five years, and has somehow managed to stay upright for 20 more.

"It was deliberately geared towards the young and intended almost to put off older people," Dunlop says. There was a casual, untidy feel, and although the rock in the foyer might be replaced by Mozart

in the shabby auditorium, the productions took the terror out of theatre. Dunlop's revival of Jonson's *Alchemist* came with a Sally Army band, football hooligans and the odd verbal twist. Nigel Hawthorne's Face reminded Ian Trigger's

triumphant end in 1993 with Zoe Wanamaker in Miller's *Last Yankee*. Enter a new directorate naively believing that it could, in Supple's words, "overnight switch off one light and switch on another". Bardsley's solemnly surreal production of *Theresa Raquin*, complete with a two-man chorus in black plastic macs, was followed by Supple's *Orkney*, in which Sophocles was severely

intended by four thespians in deep mourning. The directors assumed a right to take risks that might have been fine if they were launching a fringe company, but smacked of self-destructiveness in a well-established theatre.

Supple was more willing than Bardsley to agree that public expectation and financial wisdom dictated slower change. Accordingly, you now find avant-garde groups in the Young Vic's tiny studio and more popular work on its big oblong stage. Artistic compromise? Supple's staging of tales by Grimm last year suggested the opposite. Critics and audiences alike relished a production that made no concessions to the squeamish, sentimental or politically correct, and created a sinister atmosphere with a lack of fuss that recalled the Theatre de Complicite.



Merry Christmas, 1994: the Young Vic's *Grimm Tales* "made no concessions to the squeamish or politically correct", and audiences loved it

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MANCHESTER THEATRE

dramatic irony of it! — that Bella is the older woman Kenny has told her he loves. Just in case the audience has not twigged that Iain Heggie's play — *An Experienced Woman* (Royal Exchange) — belongs to that favourite genre of seaside summer rep, the sex comedy, the director, Matthew Lloyd, introduces some indicative stage business just before the second interval.

Mutual misunderstandings between Bella and Kenny have been cleared up; she tugs off his clothes; they race for the shed at the end of the garden. Once they are inside, and the door shuts, the shed starts rocking rhythmically (thar, hark) until the walls split open and the roof blows off.

Several years ago Heggie wrote a cluster of short plays to which he gave the title *The Sex Comedies* and many of them contained an uncomfortable truth inside the laughter. In much the same way, this full-length play includes a comment on the older person's predicament when with the adoring young: how to keep quiet about all the things the kid hasn't yet found out.

Bella's advice is always scorned, and I suppose that is to be considered one of the jokes. Another is the well-tried device of making her keep silent about herself because a declaration from her would put an end to revelations from others. But as a result, she is provided with no discernible character except smiling altruism.

In addition, with all three men hurling abuse at Siobhan Redmond's Bella, calling her at the best of times a bitch, a dog and, despite the evidence of our eyes, a dumpling from hell, the play's lurking mood is nasty.

JEREMY KINGSTON

Isabel Carlisle on an ambitious schools project to re-create London's past

Act one, scene one, sing one

What do a hypocritical Minister for Family Values who beats his wife, a glamorous but lonely and paranoid female DJ, and an exotic, recently widowed fortune-teller who has lost her clairvoyance have in common? Created by schoolchildren at Notre Dame School in the London borough of Southwark, they are modern-day versions of extravagant characters straight out of Ben Jonson's *Volpone*.

On Friday evening, together with other dramatic caricatures from local schools, they will get a public showing in a candlelit music and drama performance called *Where There's a Will*.

With sponsorship from Thorn EMI, the Tate Gallery's education department has co-ordinated this first stage of an ambitious three-year project to involve schoolchildren in writing and performing an opera to be based on Hogarth's London.

Over the past two months a series of music and drama workshops have been squeezed into the GCSE timetable at four secondary schools in Lambeth and Southwark, on the doorstep of the Bankside power station that will house the new Tate Gal-

lery of Modern Art. The inspiration for this first experimental phase has come from the Tate's current exhibition of Tudor and Jacobean portraits, and from the National Theatre's production of *Volpone*, prompting a debate over the possibilities for outward manifestations of an inner persona.

Drama pupils have been getting coaching from National Theatre actresses Joyce Henderson and Kate Fenwick, who last April staged *Hamlet* in Brixton Prison. When I visited St Saviour's and St Olave's School, Fenwick was polishing up the two synchronised choruses for the characters of Mr Cockroach — animal thief and vivisectionist — and sexy, elegant Miss Fox, jewellery thief.

They are told to slow it all down to half the speed and exaggerate their gestures so that they can communicate with their audience.

John Abulafia, director of Mecklenburgh Opera, who has been brought in to co-ordinate the performances, says that the idea is to create characters first and let the plot follow on. "Volpone projects a very external, social view of character, and I want the children to take that ironic distance and teach them to-



Kate Fenwick coaches the actors of St Saviour's School



create characters in the same mode as Jonson," he says. The result promises to be a multimedia dell'arte for the 1990s.

As part of the same session, children studying art for GCSE are brought in to discuss costumes. They have already been to see the exhibition at the Tate and experimented with making glamorous Elizabethan-style outfits out of clothes pegs and tissue paper — exploring the language of symbolism and exter-

nal attributes, as well as costume as a status indicator. At Notre Dame, the art students have proposed a costume for the two-faced Minister for Family Values which is half pinstripe suit and half scuzz-ball, and have given him a briefcase stuffed with girly magazines. The glue that will hold all the performances together will be the incidental music played by the Orchestra of St John's Smith Square and the GCSE music students. The composer, Cameron Sinclair, principal percussionist with the orchestra, devised a score from watching the drama groups rehearse. The music also incorporates compositions by the students.

Where There's a Will, Southwark Cathedral, Friday, 7.30pm. Tickets (£2.50) from Caro Howell, Tate Gallery education department (0171-887 5764)

Little people walk tall

At just 116cm tall, she's the smallest queen in the world, and only rules over an imaginary country, but Jutka Schneller has dreamt of returning to Lilliput all her life.

After decades of working in a lightbulb factory, Jutka has come back to her first love: Budapest's Lilliput Theatre, where every act but one is, as the cast like to describe themselves, a little person.

The Lilliput Theatre has its roots in Budapest's decadent 1920s, but was finally closed down as a decadent bourgeois institution in 1949.

"I feel like the star of success has finally shone for me. Performing again is the dream of my life. I can give joy to everybody and my family can come and see me," said Jutka, now in her sixties, who performs with her husband Imre, who plays a soldier. "I don't think that people only come to see us because we are short. They come to be entertained."

Now it has reopened to packed audiences of enraptured children, with performances of what else, *Gulliver in Lilliput*. The theatre's saviour is a flamboyant millionaire, Gyorgy Klapka, a 67-year-old entrepreneur who owns 30 companies, seven planes and maintains two wives, one in Germany and one in Hungary.

A former dancer, Klapka lived in exile in Germany for 30 years and was sentenced to death in absentia in East Germany for his role in smuggling hundreds of refugees across the border. Viewed through the Western prism of political correctness, the Lilliput Theatre raises questions about exploiting those unfortunate enough never to have grown to a full height. But Klapka bristles at the notion that he is taking advantage of the cast's misfortune: "I have given the actors a new life, because otherwise they would be working at a factory. I had to fight for them, to give them a chance."

Gulliver in Lilliput is staged several times a month and the

Budapest's Lilliput Theatre is back after 50 years, finds Adam Lebor

actors receive 4,000 forints (£20) per performance. "I paid 10 million forints of my own money for everything. This is not a business enterprise and I do it because I love the theatre," said Klapka.

The performance, at the Thalia theatre on Nagymező Street, known as "Budapest's Broadway", has received rave

reviews. Director Janos Novak was at first nervous about taking on the project: "I was afraid it might be some kind of bad-taste curiosity. I wouldn't want to make a spectacle out of people's imperfections. But if I have achieved anything, it is to make them proud of what they do."

The members of the 13-strong cast say that taking to the stage has boosted their self-confidence and self-esteem. "Being in this play showed me what I can do, that we are people like everyone else. I used to have this dream that one day I would be big, but now I don't want to grow taller any more," said actor Andrea Bohus.

In addition, with all three men hurling abuse at Siobhan Redmond's Bella, calling her at the best of times a bitch, a dog and, despite the evidence of our eyes, a dumpling from hell, the play's lurking mood is nasty.

JEREMY KINGSTON

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Descartes

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Death after antenatal injury can be murder

Attorney-General's Reference (No 3 of 1994)

Before Lord Taylor of Gossford, Lord Chief Justice, Mr Justice Kay and Mrs Justice Smith
[Judgment November 24]

Murder or manslaughter could be charged where antenatal injury was committed on a woman with a foetus in utero, which was later born alive prematurely and survived independently of its mother but died subsequently as a result of strains from operations compounding problems of the immaturity.

The Court of Appeal, Criminal Division, so held in a reserved judgment given in reference by the Attorney-General of a point of law under section 36 of the Criminal Justice Act 1972.

A man stabbed his girlfriend who was 26 weeks pregnant with his child in the abdomen and she died some weeks after having given birth to a live infant that survived for 120 days before it died. He was convicted on his plea of guilty to manslaughter of the girl but was acquitted when charged with murder of the infant on the judge's ruling that, in law, there was no case to go to the jury, for the prosecution could not result in a conviction for either murder or manslaughter.

The point of law referred was: "Subject to proof by the prosecution of the requisite intent in either case: whether the crimes of murder or manslaughter can be committed where unlawful injury is deliberately inflicted (i) to a child in utero; (ii) to a mother carrying a child in utero, where the child is subsequently born alive, enjoys an existence independent of the mother, thereafter dies and the injuries inflicted while in utero either caused or made a substantial contribution to the death."

"2 Whether the fact that the death of the child is caused solely as a consequence of the injury to the mother rather than as a consequence of direct injury to the foetus can negative any liability for murder or manslaughter in the circumstances set out in question 1."

In the court's opinion the answers were: 1 Yes. Murder or manslaughter could be committed where unlawful injury was deliberately inflicted either to a child in utero or to a mother carrying a child in utero in the circumstances postulated in the question. The requisite intent to kill or cause serious bodily injury to the foetus, the foetus before birth

being viewed as an integral part of the mother. Such intention was appropriately modified in the case of manslaughter.

2 No. The fact that the death of the child was caused solely in consequence of injury to the mother rather than as a consequence of injury to the foetus did not negative any liability for murder and manslaughter provided that the jury were satisfied that causation had been proved.

Mr Robert S. Smith, QC and Mr David Calvert-Smith for the Attorney-General; Mr Simon Hawkesworth, QC and Mr Andrew Lees, assigned by the Registrar of Criminal Appeals, for the respondent.

THE LORD CHIEF JUSTICE, delivering the opinion of the court, said that the respondent was charged with murder and was acquitted by verdict of the trial judge. In consequence of the judge's ruling the Attorney-General had referred a point of law for the court's opinion.

Following the stabbing the girl-friend was admitted to hospital. She was given a caesarean section and a cut to the wall of the uterus was made. The belief then, which later proved to be mistaken, was that there had been no injury to the foetus itself. Accordingly the doctor limited his intervention to sewing up the wound and prescribing a course of drugs to prevent the onset of premature labour.

She made a good recovery and was discharged from hospital. However, some three weeks later, without any further trauma, she suddenly went into labour and gave birth to a child. Some weeks later she died.

The child was grossly premature, although then considered to have a 50 per cent chance of survival. At the time of birth it was clear that the knife had, contrary to the evidence, penetrated the foetus and had cut through the left side of the abdomen.

The child survived for 120 days, receiving intensive neo-natal care which the trial judge described as being of an exemplary character, including several surgical operations.

The trial judge found that the injuries to the child inflicted by the knife were repaired under general anaesthetic and made no direct contribution to the death, save through such strains arising from operative procedures as compounding the problems from immaturity.

Before the child's death the respondent admitted the manslaughter charge and was sentenced to four years imprisonment.

At the subsequent murder trial the respondent's conviction was not adduced before the jury.

On submissions at the close of the prosecution case the judge decided that, even if the facts and inferences suggested by the Crown were established, they could not in law result in a conviction for either murder or manslaughter and accordingly he directed the respondent's acquittal.

His Lordship said that the effect of the Homicide Act 1957 as altered the position of mens rea for murder at common law that the pre-1957 law was of limited relevance to the issues which the court's opinion was sought.

Since 1957, the law was clearly settled that a person could be guilty of murder only if at the time he intended either to kill or to cause really serious bodily injury.

These changes meant that the considerations now arose in relation to a charge of murder in circumstances such as those raised in the reference which would not have arisen before the 1957 Act and hence the pre-1957 authorities, even if conclusive before that date, could no longer determine the issues their Lordships were invited to consider.

Leaving aside such matters as provocation and diminished responsibility, which had no bearing on the issues presently under consideration, the prosecution had to prove the following elements:

1 That the defendant did an act;
2 That the act was deliberate and not accidental;
3 That the act was unlawful;
4 That the act was a substantial cause of death;

5 That the death was of a person in being;

6 That death resulted within a year and a day;

7 That at the time of doing the act the defendant intended either to kill or to cause really serious bodily injury to the victim or, subject to the extent of the doctrine of transferred malice, to some other person.

Elements 1 to 6 represented the actus reus of murder and if any was absent the actus reus would not be established. Element 7 was the mens rea of murder, for which the old expression, malice aforethought, was used.

Elements 1 and 2 were simply a matter of evidence and presented no particular problem of law.

As to element 3, in law the foetus was treated as part of the mother until it had a separate existence of its own.

Thus, to cause injury to the foetus was just as unlawful as any

assault on any other part of the mother. A doctor who carried out an abortion in accordance with the Abortion Act 1967 was not acting unlawfully and a charge of murder against him would fail because the element that the act had to be unlawful could not be made out.

Since the situation of a foetus being born alive consequent on an abortion and subsequently being negligently or killed, which was touched on, had no relevance to the issues raised by the reference and their Lordships made clear that they had given no consideration to them.

As to element 4, the judge ruled against the submission that the evidence was insufficient for a jury to reach a conclusion that the act was a substantial cause of death. The judge had ruled against that submission and, although the matter had not been argued before their Lordships, he was, so far as they could judge, right so to do.

In its simplest form element 5 meant that, to cause the death of a foetus in the womb could not be murder. Their Lordships had reached the conclusion that there was no requirement that the person in being at the time that the act causing death was perpetrated. That was the position at common law and to hold otherwise would produce unacceptable anomalies.

Element 6, provided an arbitrary time limit which, no doubt, was introduced as a safeguard at a time when proof of causation was far from easy. Consideration of the desirability of retaining such a provision was currently the subject of debate but had no relevance to their Lordships' conclusions.

As to element 7, their Lordships agreed with a passage in *Smith and Hogan on Criminal Law* (7th edition) (1992) p299 in so far as it rejected the concept of an intention directed towards a child capable of becoming a person in being: the concept was, so far as they were concerned, a new one that it sought to introduce and they did not see it as either necessary or desirable to add that gloss to the law.

That was not to say that they thought that, if an intention was directed towards the foetus, a charge of murder had to fail. In the eyes of the law the foetus was taken to be a part of the mother until it had an existence independent of her, so that an intention to cause serious bodily injury to the foetus was an intention to cause serious bodily injury to a person in being, just as an intention to injure her arm or her leg would be so viewed.

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Thus, to cause injury to the foetus was just as unlawful as any assault on any other part of the mother. A doctor who carried out an abortion in accordance with the Abortion Act 1967 was not acting unlawfully and a charge of murder against him would fail because the element that the act had to be unlawful could not be made out.

Since the situation of a foetus being born alive consequent on an abortion and subsequently being negligently or killed, which was touched on, had no relevance to the issues raised by the reference and their Lordships made clear that they had given no consideration to them.

As to element 4, the judge ruled against the submission that the evidence was insufficient for a jury to reach a conclusion that the act was a substantial cause of death. The judge had ruled against that submission and, although the matter had not been argued before their Lordships, he was, so far as they could judge, right so to do.

In its simplest form element 5 meant that, to cause the death of a foetus in the womb could not be murder. Their Lordships had reached the conclusion that there was no requirement that the person in being at the time that the act causing death was perpetrated. That was the position at common law and to hold otherwise would produce unacceptable anomalies.

Element 6, provided an arbitrary time limit which, no doubt, was introduced as a safeguard at a time when proof of causation was far from easy. Consideration of the desirability of retaining such a provision was currently the subject of debate but had no relevance to their Lordships' conclusions.

As to element 7, their Lordships agreed with a passage in *Smith and Hogan on Criminal Law* (7th edition) (1992) p299 in so far as it rejected the concept of an intention directed towards a child capable of becoming a person in being: the concept was, so far as they were concerned, a new one that it sought to introduce and they did not see it as either necessary or desirable to add that gloss to the law.

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Consideration of whether a charge of murder could arise where the focus of the defendant's intention was exclusively the foetus fell to be considered under the head of transferred malice as was the case where the intention was focused exclusively or partially on the mother herself.

At the simplest the concept was that, if a defendant intended to kill or cause really serious bodily injury to A but instead killed B, he was as guilty of the murder of B as if the object of his intentions had been B rather than A.

Their Lordships could see no reason to hold that malice could be transferred only where the person to whom it was transferred was in existence at the time of the act causing death. From *R v Mitchell* (1983) 1 QB 741 it was clear that the precise mechanism of death did not have to be foreseen in manslaughter and their Lordships were satisfied that the same was true for murder.

It was neither right nor necessary to reintroduce any question of causation at the stage when mens rea fell to be considered. Their Lordships were satisfied that the death was caused by the defendant's act, there was no reason why the concept of transferred malice should not operate. Obviously, if the mode of death was utterly remote, there might be circumstances in which that could be regarded as severing the chain of causation.

Their Lordships could not see that it should matter whether the child died after birth as a result of a stab wound suffered by the foetus before birth or as a result of premature birth induced by the stabbing.

Equally there was no justification for a proposed qualification that some degree of negligence towards the intended victim was required. There was no reason to conclude that the doctrine of transferred malice was excluded in a situation such as fell to be considered in the reference.

No different approach was required, none had been suggested in argument, in relation to a charge of manslaughter, although the intention required would be less than that to establish murder.

Their Lordships' conclusions were inconsistent with those reached by the judge, although on the state of the medical evidence it was far from clear that a jury was entitled to find a charge of murder, but their Lordships would have ruled that there was a case to go to the jury.

Solicitors: Crown Prosecution Service, Headquarters.

THE SECRETARY OF STATE, in his reserved decision, increased the tariff period of 15 years, recommended by the trial judge and the Lord Chief Justice, to 20 years, stating that the judiciary's recommendation would have been appropriate had the offence been a single premeditated one but that a longer period was necessary given that there had been a double murder.

Subsequent to representations made by the applicant, the secretary of state, reconsidering the

matter, accepted his arguments that it was wrong to proceed on the basis that the murders had been premeditated and accepted also that the two murders had been part of a single incident which took place during a short period. He still considered, however, that the period of 20 years was appropriate to meet the requirements of retribution and deterrence.

Mr Edward Fitzgerald, QC, for the applicant; Mr David Pannick, QC, for the secretary of state.

MR JUSTICE TURNER said that the applicant had submitted that if 20 years had been the appropriate period in a case where there had been premeditation and two murders committed on separate occasions, absent those two factors the tariff should have been lower than that originally chosen. It was not, he submitted, lawfully open to the secretary of state to fix a longer period if no new adverse factor had emerged.

His Lordship considered, inter alia, the secretary of state's statement of policy (*Hansard* volume 229, col 561, July 27, 1993) which was expressly left open so that the secretary of state could decrease or increase the minimum period to be served by a prisoner if the requirements of retribution and deterrence had not been satisfied.

Rejecting the secretary of state's submission that the discretion was absolute, his Lordship said that fairness had also to come into the exercise.

His Lordship had no doubt that an exceptional circumstance, such as relevant new information of an adverse character, would be required before the secretary of state could make a decision to increase the period of detention.

The intelligent observer of the history of the present case might have thought that the secretary of state had failed to measure up to the required standard of fairness.

The two manifest errors had been corrected in the second decision letter. There was an absence of any other changed factor which could explain what implicitly was a change of mind.

It was inconceivable how the secretary of state had arrived at an identical period despite the absence of the two factors agreed to be aggravating if they had been present.

The decision of May 6 therefore had to be quashed and the court would leave the matter there in the expectation that the secretary of state would further consider the length of the period appropriate to the applicant's sentence.

Solicitors: Graham Withers & Co, Shrewsbury; Treasury Solicitor.

THE LORD CHIEF JUSTICE, delivering the opinion of the court, said that the respondent was charged with murder and was acquitted by verdict of the trial judge. In consequence of the judge's ruling the Attorney-General had referred a point of law for the court's opinion.

Following the stabbing the girl-friend was admitted to hospital. She was given a caesarean section and a cut to the wall of the uterus was made. The belief then, which later proved to be mistaken, was that there had been no injury to the foetus itself. Accordingly the doctor limited his intervention to sewing up the wound and prescribing a course of drugs to prevent the onset of premature labour.

She made a good recovery and was discharged from hospital. However, some three weeks later, without any further trauma, she suddenly went into labour and gave birth to a child. Some weeks later she died.

The child was grossly premature, although then considered to have a 50 per cent chance of survival. At the time of birth it was clear that the knife had, contrary to the evidence, penetrated the foetus and had cut through the left side of the abdomen.

The child survived for 120 days, receiving intensive neo-natal care which the trial judge described as being of an exemplary character, including several surgical operations.

The trial judge found that the injuries to the child inflicted by the knife were repaired under general anaesthetic and made no direct contribution to the death, save through such strains arising from operative procedures as compounding the problems from immaturity.

Before the child's death the respondent admitted the manslaughter charge and was sentenced to four years imprisonment.

At the subsequent murder trial the respondent's conviction was not adduced before the jury.

On submissions at the close of the prosecution case the judge decided that, even if the facts and inferences suggested by the Crown were established, they could not in law result in a conviction for either murder or manslaughter and accordingly he directed the respondent's acquittal.

Second viewing of video evidence discouraged

Regina v M (Criminal evidence: Replaying video)

Before Lord Taylor of Gossford, Lord Chief Justice, Mr Justice Kay and Mr Justice Brian Smedley
[Judgment November 21]

Generally speaking an application for a video of a complainant's evidence to be played for a second time at a criminal trial should be granted only if it was made specifically by a jury. In normal circumstances a replay would be inappropriate and, generally, it should be discouraged as being a departure from the normal course of evidence.

The Court of Appeal so held when quashing the conviction of a man, now aged 35, in August 1993 at the Central Criminal Court (Judge Grigson and a jury) on counts of repeated indecent assaults, rapes, and attempted rape of the young daughter of a woman with whom he was living.

The appeal was brought by leave, some two years out of time, on the trial judge's certificate:

"In a case involving a child witness, as defined by rule 23 of the Crown Court Rules (SI 1982 No 1099), the evidence in-chief of the witness having been admitted in the form of a video recorded interview under section 32A(2) of the Criminal Justice Act 1988 (as inserted) by section 54 of the

Criminal Justice Act 1991) whether the judge was wrong in ordering/permitting the video recorded interview to be played to the jury again at the close of the defence case and whether the second playing of the video tape amounted to a material irregularity in the course of the trial."

A retrial was ordered in the interests of justice.

Mr Robin Pearce Wheatley, assigned by the Registrar of Criminal Appeals, for the appellant; Mrs Rebecca Poulet, QC, for the Crown.

MR JUSTICE KAY, giving the judgment of the court, said that the judge, in allowing the video replay, was responding not to a request from the jury but to an application made by counsel for the Crown.

In *R v Rawlings (Practice Note)* (The Times October 19, 1994; [1995] 1 WLR 178), decided after the present conviction, the court held that the judge had a discretion whether a jury's request for a replay should be granted, and laid down requirements, including that the replay be in court, that the judge should warn the jury to guard against the risk of giving the replayed evidence a disproportionate weight and should remind them from his notes of the complainant's cross-examination and re-examination.

In normal circumstances it would be inappropriate for a video to be played a second time.

A replay should be discouraged because it was a departure from the normal course of the way in which evidence at a criminal trial was heard and, generally speaking, any departure should only be made if there were exceptional reasons. In the present case there were no such exceptional reasons.

A short part of a video might have to be replayed to enable the jury and the witness to understand the nature of the question being put on a particular point made by counsel, but that was not the present situation.

To replay the video was inappropriate and should not have occurred.

Their Lordships said at once that, in making that criticism, they had sympathy with the trial judge's position. This was one of the very earliest cases involving the playing of a video and no guidance had been available.

The judge had given no such warning as was set out in *Rawlings* nor did he remind the jury about the complainant's cross-examination and re-examination.

The conviction could not stand and was quashed.

Solicitors: Crown Prosecution Service, Headquarters.

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On submissions at the close of the prosecution case the judge decided that, even if the facts and inferences suggested by the Crown were established, they could not in law result in a conviction for either murder or manslaughter and accordingly he directed the respondent's acquittal.

His Lordship said that the effect of the Homicide Act 1957 as altered the position of mens rea for murder at common law that the pre-1957 law was of limited relevance to the issues which the court's opinion was sought.

Since 1957, the law was clearly settled that a person could be guilty of murder only if at the time he intended either to kill or to cause really serious bodily injury.

These changes meant that the considerations now arose in relation to a charge of murder in circumstances such as those raised in the reference which would not have arisen before the 1957 Act and hence the pre-1957 authorities, even if conclusive before that date, could no longer determine the issues their Lordships were invited to consider.

Leaving aside such matters as provocation and diminished responsibility, which had no bearing on the issues presently under consideration, the prosecution had to prove the following elements:

1 That the defendant did an act;

Use of life sentence review power has to be fair

Regina v Secretary of State for the Home Department, Ex parte Piersen

Before Mr Justice Turner
[Judgment November 10]

In revising the minimum period of imprisonment for a mandatory life prisoner, the Home Secretary's discretion to increase or decrease the period was not absolute but had to be fair.

Mr Justice Turner so held in the Queen's Bench Division when quashing the decision of May 6, 1994 of the Home Secretary that John David Piersen, a prisoner serving two concurrent life sentences for the murder of his parents, should serve at least 20 years in prison to satisfy the requirements of retribution and deterrence.

The secretary of state had, in his reserved decision, increased the tariff period of 15 years, recommended by the trial judge and the Lord Chief Justice, to 20 years, stating that the judiciary's recommendation would have been appropriate had the offence been a single premeditated one but that a longer period was necessary given that there had been a double murder.

Subsequent to representations made by the applicant, the secretary of state, reconsidering the

matter, accepted his arguments that it was wrong to proceed on the basis that the murders had been premeditated and accepted also that the two murders had been part of a single incident which took place during a short period. He still considered, however, that the period of 20 years was appropriate to meet the requirements of retribution and deterrence.

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MR JUSTICE TURNER said that the applicant had submitted that if 20 years had been the appropriate period in a case where there had been premeditation and two murders committed on separate occasions, absent those two factors the tariff should have been lower than that originally chosen. It was not, he submitted, lawfully open to the secretary of state to fix a longer period if no new adverse factor had emerged.

His Lordship considered, inter alia, the secretary of state's statement of policy (*Hansard* volume 229, col 561, July 27, 1993) which was expressly left open so that the secretary of state could decrease or increase the minimum period to be served by a prisoner if the requirements of retribution and deterrence had not been satisfied.

Rejecting the secretary of state's submission that the discretion was absolute, his Lordship said that fairness had also to come into the exercise.

His Lordship had no doubt that an exceptional circumstance, such as relevant new information of an adverse character, would be

Virtual real estate spreads Net wide

The traditional estate agent's office is changing. More and more agents are advertising property on the worldwide network of computers known as the Internet.

It could prove the perfect weekend pastime. Skimming the glossy For Sale ads in Country Life was one of the favoured pleasures of the Princess of Wales, according to Anna Pasternak in *Princess in Love*. Now she could look at hundreds more properties at the click of a button, and print out their details in colour.

The London Property Index is one such Internet service. It allows buyers to "visit" properties via their computer screen. London agents, including Egerton, Salter Rex, and Aston Chase, have signed up to the service, which they hope will prove more cost-efficient than advertising properties for sale in a shop window.

This electronic advertising will definitely be cheaper than advertising in newspapers and magazines. A full-page ad in *The London Magazine*, for example, costs about £700. Bill Aronson, who advises companies on setting up on the Internet, says that the cost of 25 full-screen property advertisements would be about £25 an advertisement a month. Initially, he would charge an agency £500 to £1,000 to set up an Internet programme.

"Traditional advertisements will continue," he says. "At this point, the Net is a complementary service."

So far, 12 agents have signed up on the Net, and not one house has yet been sold. But the service is attractive to agents. It costs users only the price of a phone call to "surf" the Net (to search for information). Users, by definition, tend to be reasonably multimedia-literate. So the leading agents, such as Knight Frank & Rudley, have signed up.

Mark Pollack of the London agents Aston Chase says: "The beauty of the Net is that someone in Hong Kong can 'view' the property in minutes

The electronic superhighway has homes for sale, says Rachel Kelly

and print out the information in their office." Ninety million people around the world are estimated to be linked to the Internet.

Richard Alterman, a director of Salter Rex, estate agents, says: "We have already benefited from instructions from overseas clients who, having seen the sort of property we are selling on the Net, phoned to say they would like us to advertise their house. Because they are overseas, they would not have passed by our shop window in London."

Consumers also benefit. After a series of clicks (see panel) they are able to "access" and study a house's details at home and in seconds.

Often they can access more details than in an estate

agent's office as more information can be included on an Internet site, and consumers can be left to take their pick, which is easier for the estate agents than endlessly having to reproduce different details on paper and post them.

Ian Peel, of Knight Frank & Rudley, which is advertising a £1.8 million house on the corner of Brompton Square, Knightsbridge, on the World Wide Web site on the Internet, says: "We can give extra details, such as local schools, and other background information that might not be possible otherwise."

Househunters can also view properties abroad at a cost no greater than viewing houses at home. There is no difference between charges for linking to

a computer on another continent and one in the United Kingdom.

Other property services are also being sold on what is effectively a shopping centre on the electronic superhighway. First Mortgage Securities, the telephone business, is already laying out its wares online.

Possible homebuyers can apply for a mortgage, request a valuation survey, and insure their home via the Net. Mortgage quotes and loans are offered by the Nottingham, Bristol & West, and Hanley Economic building societies. The Cheltenham & Gloucester Building Society has gone online to advertise its mortgage range.

Builders are also taking the work out of househunting. New software packages allow potential buyers to look at new developments in "virtual reality". VR systems that already exist allow you to walk through a computer-generated version of a house. Using a VR headset, as you move your head, different views of a room would become available and you could "walk" upstairs or open doors into the next room.

A new development of 225 homes on a site at the mouth of the River Wear in Sunderland was created in virtual reality by the developers Leach Homes and Bowey. Trevor Pemberton, its creator, says that buyers can benefit from being able to look out of a window and, say, look at the view.

Such schemes are not yet on the Net, but will be soon. Every step, from the first cursory glance at property details to exchanging contracts, could soon be completed without leaving your armchair.

But Mr Aronson believes that there will still be a role for an estate agent's office to provide a comfortable armchair and someone with whom to chat. This kind of human contact is essential, he believes, for a home-buying decision which is nothing if not emotional.

HOW THE INTERNET WORKS

TO DISCOVER houses for sale on the Internet, you need a computer, a modem which links your computer to the telephone system, and a subscription to an Internet service provider, such as CompuServe. Once connected, you can tap in the address of a particular "website". For example, the address of the London Property Index is <http://www.inetpro.com/inetpro/lpi/index.html>. A series of screens will provide a range of services. On the London Property Index, there is a simple search facility based on location and price that includes a detailed map of central London, a graphics service, information about each estate agent and instructions on how to use the index.

If you don't know the address of a website, you can find a list of relevant ones by keying in words such as "property" or "real estate" and "UK" or "Britain" (remember, it is a global network so, unless you specify UK, any search, particularly on "real estate", will give you a long list of US websites for American property). Other key words such as "mortgage" and "UK" will give you a list of other addresses selling mortgages and insurance products. Gradually, you will discover which sites have the kind of houses you are interested in. NetEstate covers west London. InterPages covers holiday homes in Europe.

If you wish to visit a property you have seen on the Internet, you can print out the map showing where it is. An e-mail message to the agents will warn them of your arrival. The agents will then alert the sellers by telephone. The security aspects are no more dangerous than advertising in a magazine as there is still the check of having to go round the property with an estate agent.



On the scent: wood scientist Huw Lloyd prepares to send in the "rot hound" team

Sniffing out dry rot

Sammy, Scrappy and Goldie are "rot hounds", the only dogs in the country trained to sniff out dry rot. Since their careers started five years ago, they have run their noses past some of the best skirting boards in the land.

Rot hounds are part of a new way of thinking about the correct way to control fungal and insect degradation in property. Tim Hutton, a building "pathologist", has long argued that the rip-it-out-and-spray-it approach was damaging and wasteful. His family firm, Hutton + Rostrom Environmental Investigations, has first-hand experience: when it moved its headquarters into a National Trust house near

Dogs are on the scent of repairs, writes Tom Montgomery

(dry rot) from several metres. It can check a five-bedroom house in less than an hour.

The value of dogs is quick and early detection, which saves original timbers and expense. Hutton + Rostrom's fee is £100 for a call-out, plus £44 an hour. There is plenty of high-tech bite behind the bark. Further investigation is carried out with fibre optic borescopes and moisture meters. Short-wave radar and ultrasonic detection (for listening to chewing woodworm).

Once Hutton + Rostrom has located the problem and reported on what needs to be done, the work is often within the scope of a local contractor or keen DIY enthusiast.

Battle over 15-year cover

The standard ten-year structural guarantee on a new home could be extended to 15 years as a tactic in a battle between the National House-Building Council (NHBC) and Zurich Municipal. Britain's leading local authority insurer, Stephen Hoare writes.

Transferred from the builder to the purchaser, a structural guarantee means that all major faults will be put right. Zurich, a relative newcomer to the housing market, is offering builders the chance to dangle a 15-year guarantee in front of potential new homeowners. This, it argues, will make homes easier to resell and inject some much-needed confidence into the market. Zurich claims the extra cover will be offered for about £30 each additional year.

Zurich got into the business of insuring private homes through underwriting councils' building inspection services. Since it first offered structural warranties on housing two years ago, Zurich has carved out a 10 per cent share of a market that was once the monopoly of the NHBC, the builders' trade body.

The offer of extended warranties could spark fierce competition between the two organisations as NHBC members break ranks to offer what they see as a better service to buyers. The NHBC says it has no immediate plans to follow Zurich's lead.

Already there is an interchange in staff between the two. Zurich's building guarantee manager, Martin Horsler, came from the NHBC; and the NHBC's new products manager, Roger Walton, was headhunted from Zurich.

"Government policy has undermined public confidence in the housing market," Mr Horsler says, "so we want to bring some confidence back. To be able to sell, builders have got to have a warranty and a confident buyer."

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Webster masters the lessons at European school

FROM JOHN HOPKINS, GOLF CORRESPONDENT, IN SAN ROQUE, SPAIN

THEY gathered to watch the scoreboard at San Roque golf club yesterday with the same fascination the Romans showed when the Christians were being thrown to the lions. Spectators stood in a crescent watching with morbid curiosity as the scores — some good, many more bad — were posted for the sixth and last round of the qualifying school.

The wind did nothing to help the jangling nerves of the men still left in the marathon, 108-hole competition. It roared down the coast with a venomous purpose. A greater threat, however, was the pressure. Most of the 85 competitors had played at least three rounds to reach the Costa del Sol and now they were playing their sixth round in as many days. The prize for the leading 40 was a place on next year's European Tour.

Tim Todd knew quickly he was destined to continue driving a minicab in south London in 1996 instead of playing tournament golf when the left wrist he had injured the previous day made him hit

everything out to the right. "Let's go and get drunk," Carry Mace, his girlfriend and caddy, said after Todd had ballooned from eight to 15 over par.

Others reeled spectacularly. David Higgins plummeted from two over to eight over par in seven holes before showing courage by birdieing four of the next five holes to finish five over par. Robin Mann looked safe at three over par with nine holes remaining, only to squander six shots on his last nine and be nine over par.

The American, Bill Malley, must have thought it was going to be his day when he recovered from dropping a shot on his first hole to cover the remaining eight of his front nine holes in 32, four under par. Perhaps those five birdies in all, four in succession, lulled him into a sense of security. Before he knew it he dropped two shots on his 15th and one on his 16th and his total of seven over par was one stroke too many.

A birdie at the 18th for a homeward half of 36 was not good enough for Dennis

Edlund, one of ten Swedes, because he had gone out in 44, eight over par, including a birdie. But a birdie on his last hole for a 69, the lowest of the day, secured Jimmy Heggarty, the Irishman, a place on next year's tour.

For most of the day, scoreboards placed around the course carried the words "40 on +6" indicating this that was going to be magic figure. "I feel sick," Jason Hempleman said as David Howell, the former Walker Cup player, seemed stuck at seven over par as the end neared. And he was only Howell's caddy.

Then Howell staged a rousing, character-filled finish, to make Hempleman, a two-handicap, Wiltshire county player, feel a lot better. He birdied three of his last five holes to become one of three of last September's Walker Cup team to earn a place on next year's tour.

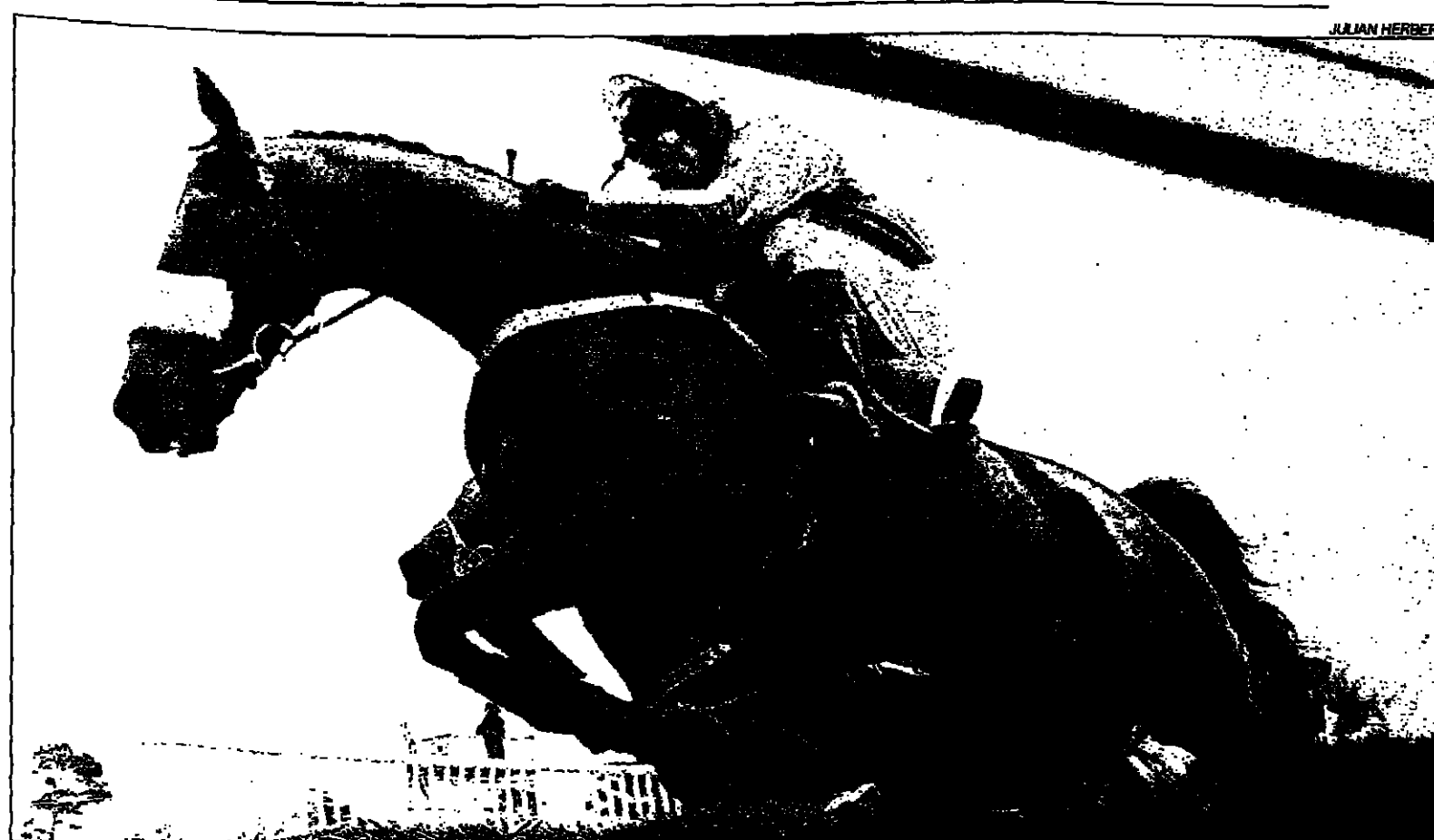
"I've aged this week," Howell, 20, said. "I thought it was just going to be another tournament. I've learnt patience, learnt not to worry."

Only five men broke par and Steve Webster edged past Hendrik Buhmann to win the competition with a last round of 70. Webster, leading amateur in the Open at St Andrews, and Buhmann had no need to worry about the plus-six total. Stephen Gallacher had his worst round of the week, a 76, but that was nothing for him to fret about. He seems destined for an outstanding career as a professional. Others were compelled to spend next year in the shadows of professional golf, but not Gallacher.

SCORES FROM SAN ROQUE

FINAL QUALIFIERS: 422 S Webster (Eng) 74, 65, 71, 74, 69, 70, 423 H Buhmann (Ger) 73, 68, 69, 73, 73, 424 A Collinson (Eng) 69, 70, 71, 73, 68, 73, 425 J C Pether (Scot) 67, 70, 68, 71, 72, 74, 426 C Simpson (Eng) 73, 69, 68, 74, 71, 72, 427 M Walker (Eng) 72, 70, 70, 70, 69, 73, 428 J Heggarty (Ire) 72, 70, 70, 69, 73, 73, 429 S Gallacher (Scot) 72, 72, 68, 68, 72, 76, 430 W Malley (USA) 71, 69, 72, 72, 72, 77, 431 F Howley (Ire) 72, 69, 73, 71, 71, 71, 432 M Todd (Eng) 72, 67, 78, 73, 71, 71, 433 D Howell (Eng) 72, 68, 74, 74, 74, 74, 434 P Mann (Scot) 70, 70, 70, 70, 70, 70, 435 J Hempleman (Eng) 72, 71, 71, 71, 71, 71, 436 S Edlund (Swe) 72, 71, 71, 71, 71, 71, 437 D Howley (Ire) 72, 69, 73, 71, 71, 71, 438 J Heggarty (Ire) 72, 70, 70, 69, 73, 73, 439 S Gallacher (Scot) 72, 72, 68, 68, 72, 76, 440 W Malley (USA) 71, 69, 72, 72, 72, 77, 441 F Howley (Ire) 72, 69, 73, 71, 71, 71, 442 M Todd (Eng) 72, 67, 78, 73, 71, 71, 443 D Howell (Eng) 72, 68, 74, 74, 74, 74, 444 P Mann (Scot) 70, 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Chancellor helps industry to counter effects of lottery



Head For Heaven, ridden by Graham Bradley, leads all the way for an impressive victory in the Coomes Selling Hurdle at Fontwell yesterday

Mixed reaction greets tax cut

By RICHARD EVANS
RACING CORRESPONDENT

A BITTER battle between racing and bookmakers looked in prospect last night over how to split the estimated £45 million proceeds flowing from a 1 per cent cut in betting duty announced by the Chancellor of the Exchequer in his Budget.

Racing wants the cash to help stave off substantial cuts in prize money brought about by the lottery's detrimental effect on betting turnover and levy — while bookmakers want to pass the tax cut on to betting shop punters to reverse the decline in betting turnover and so prevent the forecast closure of hundreds of betting shops and loss of thousands of jobs.

To cheer from MPs, the cut in betting duty was one of the first tax measures announced by Kenneth Clarke in his Budget speech and he said it could come into effect by March 1 — provided racing and the betting industry can reach agreement.

Clarke said although the National Lottery had been a great success and raised £1 billion for good causes during the past year "its success has affected other parts of the gambling industry in Britain."

The popularity of the lottery has hit the amount punters bet on horses in 1995. Instead of turnover increasing by a pre-lottery estimate of 3-6 per cent, it has fallen by 2 per cent in the past year and threatened a reduction in levy of £23 million over the next three years.

Tristram Ricketts, chief executive of the British Horseracing Board, described the betting duty cut as "very welcome news" and added: "The Chancellor clearly understood and accepted the arguments and has reacted in a very positive way. The cut is a further item to add to the commendably long list of measures the Government has taken to help racing and the betting industry. We now need to address the question of how the benefit should be split between betting and racing."

Confirming that racing would be seeking a share of the 1 per cent via increased levy payments, he added: "We made it very clear to the Chancellor in our submissions we would be looking for a reduction to be split between the punter and racing and that remains the position."

In marked contrast, Coral said last night: "We are disappointed that having recognised the problem which the National Lottery has caused the Chancellor has restricted the reduction to 1 per cent. It had been our intention to pass on any cut of 2 per cent or less directly to the customers."

Senior bookmaking industry sources indicated they will press hard for the 1 per cent cut to be passed on fully to betting shop punters to reverse turnover and increase levy contributions. "If it is split it will be impractical. You can't reduce betting deductions to 9.5 per cent. When was the last time you saw a half penny," one figure said.

The Betting Office Licenses Association, representing the big three book-

makers, said the 1 per cent cut would go some way towards negating the impact of the lottery provided it was passed on "in full" to the punter. "We would expect bookmakers to do this, and we would also expect horse racing and greyhound racing, which would benefit from the increase in turnover a lower deduction rate would generate, to support this."

Rodney Brack, chief executive of the Levy Board, said: "Obviously the reduction of 1 per cent in the rate of betting duty will help, but it still leaves horse-race betting facing a larger tax burden than other forms of gambling and, in particular, the National Lottery, which has hit betting shops hard."

"The relief given by the Chancellor is welcome indeed, but just how that relief should be applied was not clear in the Chancellor's Budget statement. However, we will do everything possible in conjunction with the industry and in accordance with the Chancellor's proposal to seek an appropriate agreement before next March."

HEREFORD

THUNDER	2.20 Ground Nut
1.20 Fair Brother	2.50 Camorra Boy
3.20 Group Hat	
1.50 Slip A Coin	3.50 Golden Drum

The Times Free Handicapper's top rating: 3.20 CEMENT SILVER.

GUIDE TO OUR RACECARD

Racecard number: 10-12-13-14-15-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1044-1045-1046-1047-1048-1049-1050-1051-1052-1053-1054-1055-1056-1057-1058-1059-1060-1061-1062-1063-1064-1065-1066-1067-1068-1069-1070-1071-1072-1073-1074-1075-1076-1077-1078-1079-1080-1081-1082-1083-1084-1085-1086-1087-1088-1089-1090-1091-1092-1093-1094-1095-1096-1097-1098-1099-1100-1101-1102-1103-1104-1105-1106-1107-1108-1109-1110-1111-1112-1113-1114-1115-1116-1117-1118-1119-1120-1121-1122-1123-1124-1125-1126-1127-1128-1129-1130-1131-1132-1133-1134-1135-1136-1137-1138-1139-1140-1141-1142-1143-1144-1145-1146-1147-1148-1149-1150-1151-1152-1153-1154-1155-1156-1157-1158-1159-1160-1161-1162-1163-1164-1165-1166-1167-1168-1169-1170-1171-1172-1173-1174-1175-1176-1177-1178-1179-1180-1181-1182-1183-1184-1185-1186-1187-1188-1189-1190-1191-1192-1193-1194-1195-1196-1197-1198-1199-1200-1201-1202-1203-1204-1205-1206-1207-1208-1209-1210-1211-1212-1213-1214-1215-1216-1217-1218-1219-1220-1221-1222-1223-1224-1225-122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